



Warrumbungle Shire Council

Long Term Financial Plan

2012/13 to 2021/22



Executive Summary

Preamble

The Long Term Financial Plan (LTFP) is one of three components of the Resourcing Strategy under the new Integrated Planning and Reporting framework (IP&R), and is an important part of Council’s strategic planning process. The LTFP is the document that tests long-term community aspirations and goals against financial realities.

Warrumbungle Shire Council’s LTFP details Council’s expected income, recurrent and capital expenditure, and the external environment that Council is expected to face in the coming ten years. The LTFP is in effect Council’s financial road map for the ten year period commencing in the 2012/13 financial year and seeks to answer four key questions:

1. Can Council survive the pressures of the future?
2. What are the opportunities for future income and economic growth?
3. Can Council afford what the community wants?
4. How can Council go about achieving these outcomes?

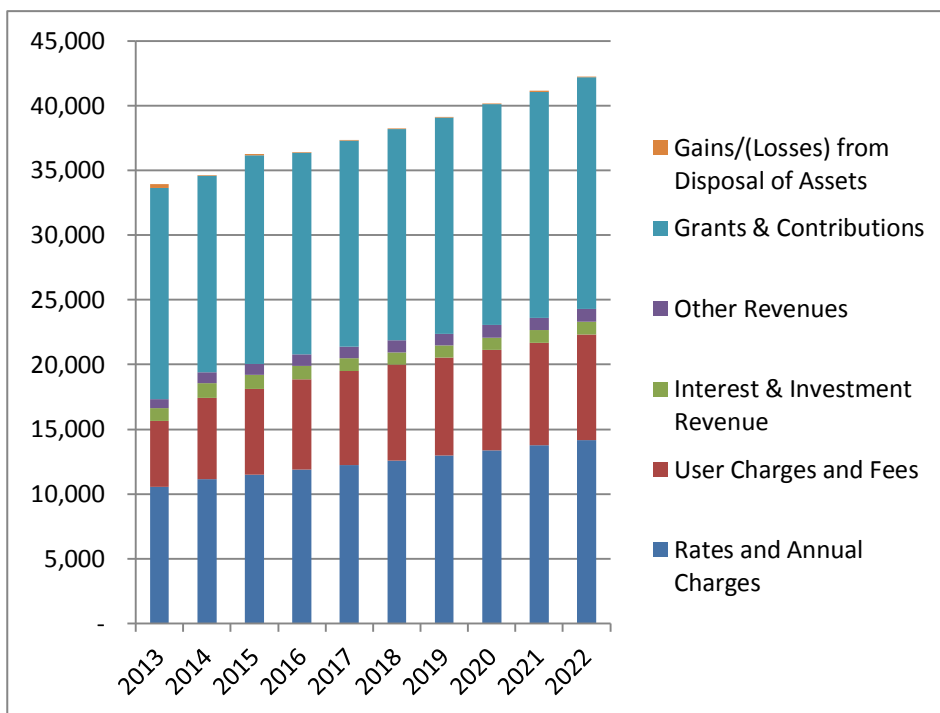
The 2012/13 LTFP is the second LTFP to be prepared by Council.

Council’s Income

Warrumbungle Shire Council obtains revenue from a variety of sources including rates and annual charges, user charges and fees for services, interest and investment revenue, other revenue and grants and contributions for both operating and capital purposes.

Council’s revenue has been forecast to increase from \$33.917m to \$42.241m over the ten years in the plan, which is a 24.5% increase.

Limitations to revenue growth for Council include rate pegging, a worsening demographic outlook, and Council’s high reliance on grant revenue (49.55% of total revenue) to fund Council’s operations.

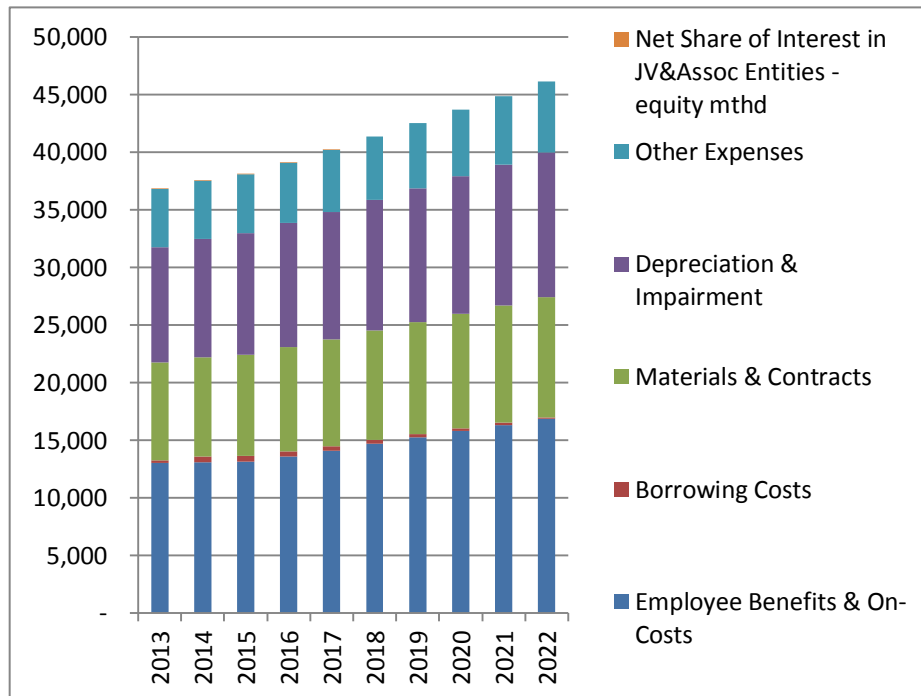


Council’s rates coverage ratio of roughly 33% also means that two thirds of the costs of Council’s operations are funded from non-rates income.

Council’s Recurrent Expenditure

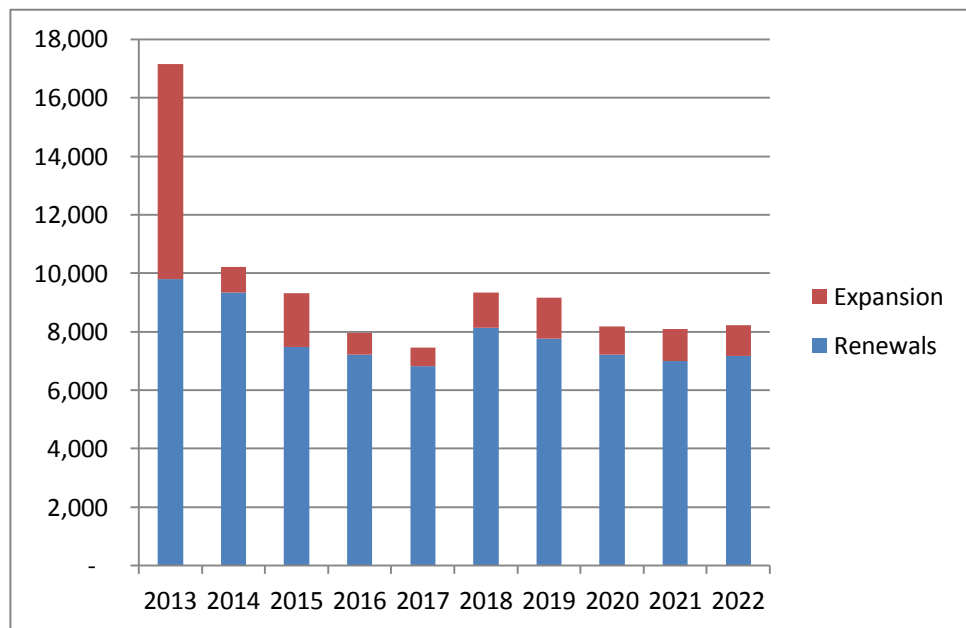
Council incurs the following expenditure in the course of its operations: Employee benefits and on-costs, borrowing costs, materials and contracts, depreciation, and other expenses.

Council’s recurrent expenditure has been forecast to increase from \$36.845m to \$46.104m, over the ten years in the plan, which is an increase of 25.1%.



Council’s Capital Expenditure

Council’s capital expenditure is per Council’s current capital program and consists of capital works that renew (replace with new) Council’s current asset base and capital works that expend Council’s asset base (i.e. create new assets). Council’s forecast capital program includes an average of \$9.51m worth of capital works per annum, resulting in an average asset renewal ratio of 70.2% (the NSW state average is 80.5%) and an asset renewal deficit over the life of this plan of \$34.35m.



Council has a significant capital backlog with insufficient funding to address the issue, and Council expects asset conditions to decline as a result. Capital works are also highly susceptible to delays caused by floods or other natural disaster events and it is likely that in some years the full capital budget will not be spent and may be revoted into the following year.

Is Council Financially Sustainable in the Long Run?

As a result of the 2011/12 LTFP and the recently released TCorp report, Council has made some tough decisions in the 2013/14 budget process which have improved Council's long term financial sustainability, and Council is now forecast to maintain a steady cash balance of just under \$13m over the ten years of the plan. Council's business arms are now forecast to achieve full cost recovery, and there is even a forecast slight improvement in Council's underlying operating performance over the ten years as measured by EBITDA. Council's exposure to debt is also clearly manageable with the debt service ratio well under 10% and forecast to decrease over the life of the plan, with the majority of loans to be paid back by the end of the 2021/22 financial year. All of these changes are a significant improvement over the previous LTFP.

The bad news is that Council's general fund still has insufficient forecast revenue to safely cover non business arms of Council activities in the long run (post 2020/21). Council is also forecasting increasing operating deficits due to income growth not keeping pace with total expenditure growth (including depreciation), and is still reporting a significant capital backlog over the life of the plan with insufficient funding to address the issue resulting in a forecast decline in asset condition.

Despite recent improvements, assuming no change to the current factors limiting Council's ability to source funds such as rate pegging, the negative demographic outlook for the region, and increased costs and service expectations faced by Council in its operations, Council still faces significant financial challenges going forward.

The Way Forward

Council has made tough decisions which have shown results and furthermore has prepared a set of Financial Performance Improvement Initiatives (see Part 10 of the plan) to improve on progress to date.

The recent release of the Future Directions for NSW Local Government report also shows that other levels of government are aware of the challenges faced by rural councils and change is in the air. Suggestions for change that could benefit Council include a review of the allocation of FAGs grants which may divert FAGs grants from well funded urban Councils to rural councils who do not have the means to raise funds, as well as ideas around infrastructure funding, rate pegging, and resource sharing. There is also talk of amalgamation, although this is unlikely to affect Warrumbungle Shire in the short run.

Council's most important stakeholders are the residents of the Shire, and assuming no change in the current funding model, it will be the residents of Warrumbungle Shire (under the IP&R framework) that will need to decide on what level of services Council will be able to provide going forward given Council's external financial constraints.

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Part 1: Introduction

1.1 About Warrumbungle Shire

The Warrumbungle Shire is strategically positioned on the Newell Highway mid-way between Brisbane and Melbourne. A number of highways and main roads traverse the shire providing links with surrounding regional centres.

The landscape ranges from extensive plains to undulating hills, from the high basaltic plateau of the Coolah Tops in the east to the rugged mountainous peaks of extinct volcanoes in the Warrumbungle National Park, west of Coonabarabran.

The geography, flora and fauna of the Shire is where east meets west. The mountainous terrain of the Great Divide gives way to rolling hills then the inland plains. The flora and fauna of the wide open plains mix with coastal animal and vegetation progressively across the Shire. A striking example of this is on the eastern boundary of the shire we have the large grey kangaroo and on the western boundary of the shire the large red kangaroo.

The shire is also a meeting place for the nations of our traditional owners and custodian of the land. The northern part of the shire is home to the Gamilaraay people while the southern part of the shire is home to the Wiradjuri people. Also the nations of the Weilwan and Kawambarai (Werriri) come into the Shire on the western border. The history, traditions and culture are being recognised as an important part of the Shire's history.

The stunning night skies, formed by a combination of low pollution, very low humidity and limited cloud cover have drawn astronomers and researchers to Coonabarabran in their search for what lies beyond the confines of the visual night sky.

Siding Spring Observatory, located 25kms from Coonabarabran is the site of a number of internationally owned and operated optical telescopes where major research has recorded amazing truths of the universe, supporting Coonabarabran's claim to the name "Astronomy Capital of Australia".

The towns and villages of the shire comprise Coonabarabran, Baradine, Binnaway, Coolah, Dunedoo and Mendooran; all provide wonderful opportunities to experience real country Australian lifestyles. Each of the communities has their own special claim to fame. Bush Poetry Festivals, rivalry over ownership of the name The Black Stump, a Steamrail Village, The Oldest town on the Castlereagh, The Gateway to the mighty Pilliga or the Astronomy Capital of Australia – each of our villages reflects the personalities of its residents and the lifestyles.

The shire was traditionally built on agricultural pursuits with the early establishment of wool growing and beef cattle production followed by cereal cropping, prime lamb production and today a burgeoning vine growing and horticultural industry.

The communities enjoy the services of quality schools and health services. The shire boasts a broad range of cultural, sporting and recreational activities.

Retailing in each centre provides services to those communities and the provincial centres of Tamworth and Dubbo, located within 2 hours of the centre of the Shire complements local level services.

1.2 What Services does Warrumbungle Shire Council Provide?

Warrumbungle Shire Council provides a wide range of services to the residents of the shire including but not limited to:

- Transport services including the management, maintenance and improvement of over 2,600 km of local and regional roads, 97 bridges, an extensive network of culverts and other drainage assets, kerbs and gutters, footpaths, and quarries;
- Aged care, child care and youth development services, including Warrumbungle Community Care, Yuluwirri Kids, Castlereagh Family Day Care and Connect Five supported play groups;
- The management, maintenance and improvement of a range of buildings and structures from town halls, playgrounds, community facilities, and meeting rooms, to aerodromes all of which provide valuable services to the community;
- Promotion of economic development and tourism within the Shire;
- Provision of water, sewerage and waste services to the residents of the Shire;
- Town planning, regulatory services, town beautification and environmental management;
- Emergency services;
- Library services;
- Road safety programs;
- Management of Public Cemeteries;
- Provision of ovals, and other sport and recreation facilities including pools and parks;
- Support to agencies such as Centrelink and Banks to provide services locally;
- Health, environmental and emergency bush fire services.

As is clear from the list above, the role of Local Government goes far beyond roads and water, and the effective management of the resources required to provide the above mentioned services is critical for the long term future of Warrumbungle Shire Council.

In order to ensure that the provision of the above services is cost effective, efficient, and sustainable in the long term, Council has prepared a Long Term Financial Plan. This Plan, together with Council's Asset Management Plan and Workforce Management Plan, will be used as a blueprint to ensure that Council has the resources going forward to maintain and improve on the service level it currently provides.

1.3 What is a Long Term Financial Plan (LTFP)

The Long Term Financial Plan (LTFP) is one of three components of the Resourcing Strategy under the new Integrated Planning and Reporting framework (IP&R). The Resourcing Strategy details the resources required to fulfill the outcomes requested by the community as part of the Community Strategic Plan, and includes an Asset Management Plan, a Workforce Management Plan, and the LTFP. The linkage between the Resourcing Strategy and the IP&R framework is detailed in the following diagram:

Diagram 1 – Local Government Planning and Reporting Framework



The LTFP can be viewed as a roadmap of how Council will finance the expectations of the community as detailed in the Community Strategic Plan, and what the long term (over a ten year horizon) cost of these outcomes will be to the community.

The starting point for the LTFP is Council’s expectations in relation to revenue that will be available to the council over the next ten years. The LTFP forecasts the projected revenue that Council will be able to obtain based on general planning assumptions such as demographic, economic and political trends (detailed in Part 2 of the plan) and specific factors that affect individual revenue line items (e.g. rate pegging, projected new sources of revenue, and the future of individual grant programs). Revenue projections are specifically dealt with in Part 3 of the plan.

Once Council has determined the level of revenue projected to be available to Council over the ten year time frame, the next step is to assess the level of expenditure that will be required to meet the day to day cost to Council of providing services to the community. Expenditure projections depend on both the future level of service forecast to be provided, the planning assumptions from Part 2 of the plan, as well as expectations regarding input costs such as expected salary increases, movements in materials costs, and movements in financing costs. Expenditure projections are dealt with in detail in Part 4 of the LTFP, although depreciation projections are derived directly from Council’s Asset Management Plan (AMP).

Expenditure of a capital nature such as on the construction of new assets and capital renewal will also impact on the future sustainability of Council. Capital expenditure is dependent on community expectations regarding service levels, as well as the future costs of inputs such as staff costs and material costs (e.g. fuel and bitumen). Capital expenditure is dealt with separately in great detail in the AMP, and assumptions around the future cost of asset construction and

rehabilitation from the AMP have been incorporated into the LTFP. This information is captured in the ten year capital program from the AMP, which has been included in Part 5 of the LTFP.

Part 6 of the LTFP deals with projected movements in balance sheet items such as the payment of loans, and projected movements in working capital, while Part 7 of the LTFP includes the financial statements for Council's base scenario (i.e. income statement, balance sheet, cash flow statement and asset movement schedule). It should be noted that Council's base scenario is Council's best estimate of Council's financial performance and position over the ten year timeframe in the LTFP. Part 8 of the LTFP includes analysis of Council's performance against a set of financial KPIs.

As per the requirements of the IP&R framework Council has also carried out a sensitivity analysis on the long term projections in its base scenario and developed a further two scenarios: an optimistic scenario, and a pessimistic scenario. The basis for the sensitivity analysis is the general planning assumptions found in Part 2 of the LTFP. Council's sensitivity analysis also includes the results of a suggested Special Rates Variation on Council's long term financial performance and capital program. Details of Council's sensitivity analysis can be found in Part 9 of the plan.

Part 10 of the plan provides a final conclusion and suggestions on the way forward for Warrumbungle Shire Council.

1.4 Changes in Council's updated 2012/13 Long Term Financial Plan

The 2012/13 Long Term Financial Plan is Council's second cut of its LTFP, and is structured predominantly the same way as the previous report with the following minor changes:

- All revenue and expenditure forecasts show a comparison between the previous and current forecasts and explain any variances;
- Capital expenditure adjustments for revotes and trade ins have been factored into the actual capital program;
- KPIs have been divided into four separate groupings with high level comments providing analysis of each KPI grouping;
- Council's sensitivity analysis section has been reviewed and more emphasis has been placed on the impact of a special rates variation;
- Progress against Council's suggested improvements in the previous LTFP has been detailed in the conclusion and way forward section of the plan;
- A comparison of Council's overall financial performance between the two plans is also provided in the conclusion and way forward section of the plan;
- All assumptions have been reviewed for accuracy, and balance sheet items that can not be accurately predicted have been kept constant.

Part 2: General Planning Assumptions

2.1 Demographic Assumptions

As with most rural inland LGAs the population of Warrumbungle Shire Council has been in decline for several years as a result of outwards migration from the Shire (especially amongst young adults). This trend in population decline in rural areas has been exacerbated by the recent drought and is particularly pronounced in the Orana Region of Councils (OROC) to which Warrumbungle Shire Council is a part (see following map).

Diagram 2 - Orana Region of Councils (Map)



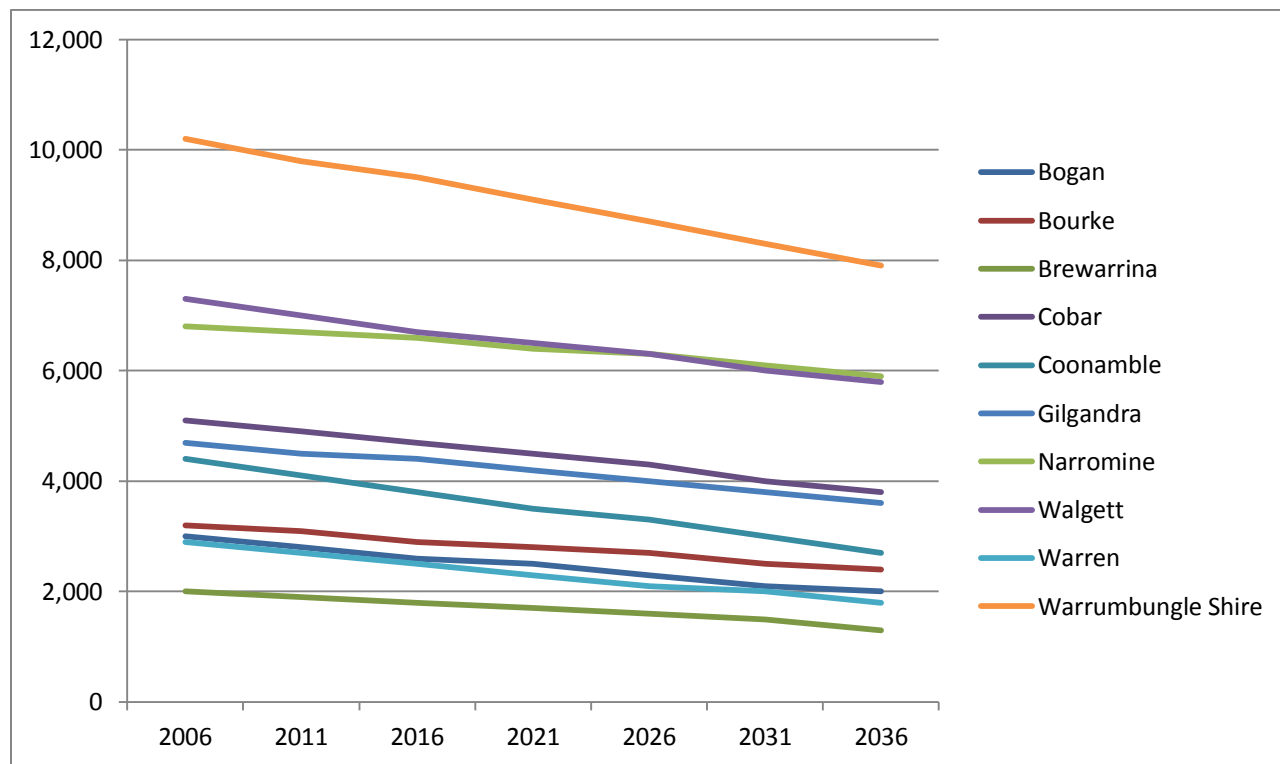
All Orana Region of Councils LGAs (excluding Dubbo) are expected to undergo population decline in the following years which will negatively affect the availability of services, as well as reduce employment/business opportunities, and access to facilities and clubs within these LGAs. In many cases Councils may be expected to step in and provide the services that are no longer available, which will be increasingly difficult as their rates base and ability to recruit staff decreases with the population decrease.

The current expected population decrease amongst the OROC LGAs is detailed in the following diagram (Source: Department of Planning and Infrastructure (DP&I) SLA Population Projections 2006-2036, 2010). It should be noted that these projections are not written in stone, although the general downward trend was confirmed in the recent 2011 census with Warrumbungle Shire Council's population declining further to 9,588.

The ABS also reported in its *Regional Population Growth, Australia, 2011-12* report a decline of 100 people in the Coonabarabran Statistical Area Level 2 which includes most of Warrumbungle

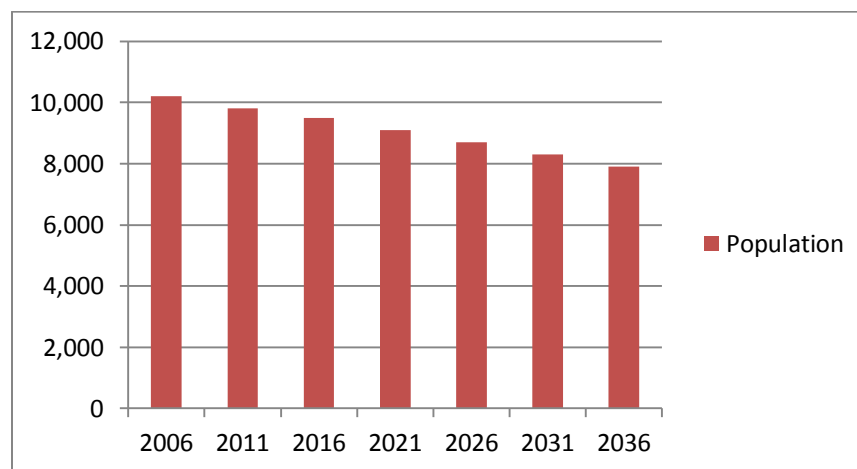
Shire with the exclusion of Dunedoo and surrounding areas in the south of the shire. This was the second largest population decline (in terms of statistical area level 2) in rural NSW.

Diagram 3 – Projected population of Orana Region of Council LGAs



According to the DP&I report, Warrumbungle Shire Council’s population has been predicted to decrease from roughly 10,236 in 2006 to roughly 7,900 in 2036.

Diagram 4 – Warrumbungle Shire Council Projected Population



This population decrease if it eventuates will put significant pressure on Council, and is arguably the single largest challenge that Council currently faces. A reduced population will impact the long term financial viability of the Shire through the following:

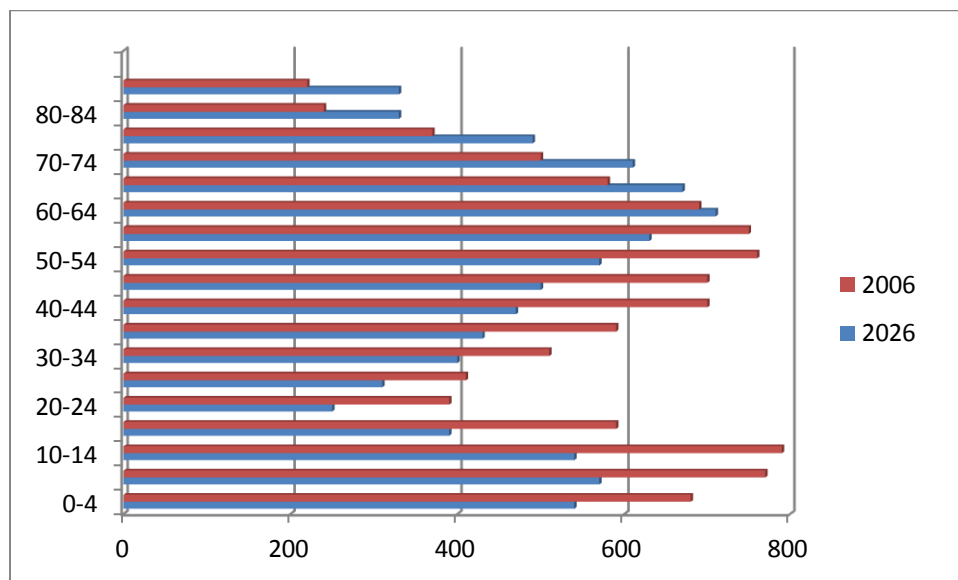
- Reduced income from residential rates and user charges;

- Increased expectations on Council to provide services and facilities that have been centralised outside the Shire or can no longer be feasibly provided by the private sector due to lack of economies of scale;
- Increased difficulty in recruiting and retaining suitably skilled staff and thus increased employee related expenditure as Council is forced to provide cash and other incentives for staff to move to the Shire, and to retain suitably skilled staff;
- Increased pressure for Council to amalgamate and for further services to be moved out of the Shire;
- Possible reduction in government grants due to a reduced population;
- Higher materials and contracts costs due to possible closures of local businesses, forcing Council to source required materials from distant locations.

Although the population projections in the DP&I report make for uneasy reading, it should be noted that these are projections only and there are many factors that could slow down or reverse this decline. For example, the opening of new mines in the south of the Shire and a resurgence of the agricultural sector could hopefully reverse these trends.

Unfortunately, population decline is not the only demographic problem that Council currently faces. As young adults migrate out from the Shire, the dependency ratio of the population remaining will increase putting further strain on Council’s ability to remain financially solvent in the long run. An ageing population can negatively affect Council’s financial position through increased costs for the provision of aged care, decreased ability to recruit staff, and reduced business and other opportunities available within the Shire thus causing further declines in youth numbers as young adults leave due to the lack of peers, suitable youth facilities, employment and training opportunities. The changing age structure of the population is best captured in the following diagram (Source DP&I SLA Population Projections 2006-2036, 2010):

Diagram 5 – Warrumbungle Shire Council Age Distribution



Warrumbungle Shire Council is also one of the more socially disadvantaged LGAs in NSW with average taxable income in the 2009/10 financial year at \$31,771 pa compared to a NSW average of \$46,622 (Source: ABS National Regional Profile).

The impact of population changes has been captured as part of the LTFP’s sensitivity analysis, with different population scenarios resulting in different outcomes. The impact of demographic factors on the three scenarios is detailed in the table below:

| Scenario | Assumptions |
|--------------------|--|
| Base | Population decreases at a slower than forecast rate as mines in the south of the Shire attract workers who offset some of the forecast out migration. The rates base and user charges remain at current levels with adjustments for CPI and rate pegging. |
| Optimistic | Mining and resurgence in the agricultural sector due to higher commodity prices reverses the population decline, and the population of the Shire increases at 0.2% p/a over the ten year period to 2022. |
| Pessimistic | Population decline continues per the Department of Planning projections above, and the dependency ratio and socio-economic issues of the Shire worsen, affecting Council’s rate base and possibly grant revenue, and resulting in the loss of valuable services such as access to health services. More pressure is put on Council to fill the gap which Council would be unable to do within the current funding structure. |

2.2 The Impact of Mining

On 5 January 2010 a proposal for an open cut coal mine at Cobbora, about 22km south west of Dunedoo was submitted to the DP&I. The project application area covered 246 square kilometers (later increased to 274 square km) and the proposed life of the project is 21 years. Construction was originally expected to commence in July 2013 with construction crews to be located both within the towns of the shire and within a temporary accommodation village which will not be required during the operation of the mine. To date construction has not commenced, and the future of the mine is uncertain.

It was originally expected that the mine would result in roughly 50-100 new dwellings being required in the area to accommodate new staff, and that the mine would commence operations in 2015. Assuming the mine was to go ahead, the possible financial impacts on Council from the Cobbora mine would include (note social impacts from the opening of the mine are not dealt with here):

- Increased residential and business rates due to population increase in the South of the Shire hopefully offsetting the general decline expected per DP&I forecasts;
- Increased wear and tear of Council infrastructure;
- Increased financial assistance from the mine owners to offset costs Council will incur as a result of the mine’s operations;
- Loss of skilled staff to the mines (current estimate is 20 staff).

Although the mine has not gone ahead, there has already been an impact in the south of the shire in relation to higher land prices, and the loss of working families and production on land purchased by the mine.

The expected impact of Cobbora mine on the three scenarios is detailed in the table on the following page:

| Scenario | Assumptions |
|--------------------|---|
| Base | Possible increase in rates revenue and increased financial assistance from the mine. The mine will also partially offset the projected population decline, but result in increased staffing costs to Council. |
| Optimistic | Population growth due to the mine with increased rates revenue and financial assistance bringing positive change to the Shire. |
| Pessimistic | Mine staff are based outside the Shire, and there is no benefit from the mine with any financial assistance barely covering the mine’s negative impact on Council owned assets. |

As the mine is yet to receive final DA approval, the impact on Council’s rates base and level of financial assistance from the mine can not be predicated, and as such has been excluded from this plan. The impact of the mine on Council’s maintenance program has also not been factored into the forecasts in this plan. These two items will be included in later versions of this plan.

2.3 Economic Growth Trends and Input Costs

Economic growth trends are famously hard to predict, and there are a range of local, regional, national and global factors that can impact on the level of economic growth. For the purpose of the LTFP Council has identified a range of “economic drivers” that affect the level of economic growth within the Shire. The expected impact of each of these drivers would have on the level of economic growth under each of Council’s three planning scenarios is detailed below:

| Economic Driver | Base | Optimistic | Pessimistic |
|--|--|---|---|
| Agriculture | Agriculture continues to play a predominant role in the Shire’s economy, and the future of the agricultural sector improves over the next ten year period due to higher global demand impacting commodity prices | Global population growth and resource scarcity dramatically improves the future of agriculture, increasing agricultural land values, the local population and the dynamism of the local economy | Poor yields due to climate variability result in farmers being unable to capitalise on higher commodity prices |
| Mining (see Part 2.2 for more details) | Mining provides significant job opportunities and positively impacts the economy of the south of the Shire post 2015 | Mining provides significant job opportunities and positively impacts the economy of the south of the Shire post 2015 | Mine staff are based outside the Shire and all wealth leaves the Shire |
| Economic performance of Orana region | Mining and agriculture boost Orana region bringing more industries and wealth to the region | Mining and agriculture boost Orana region bringing more industries and wealth to the region | Poor performance in the agricultural sector and the presence of fly in fly out mining negatively affects local industry |

| Economic Driver | Base | Optimistic | Pessimistic |
|---|---|---|--|
| Growth of regional centres e.g Mudgee, Dubbo, Gunnedah, Narrabri and Tamworth | The growth of larger regional centres negatively affects local retail but this is offset by the positive flow on effect of the centres on surrounding regions | The growth of larger regional centres negatively affects local retail but this is offset by the positive flow on effect of the centres on surrounding regions | The growth of larger regional centres negatively affects local retail |
| Tourism | Tourist numbers increase slightly over the next ten years | Tourist numbers increase dramatically over the next ten years | Flat/declining tourist numbers |
| Alternative energy | Wind farms start operations in the Shire in the second half of the ten year forecast period bringing wealth to land holders and more jobs | Wind farms start operations in the Shire in the second half of the ten year forecast period bringing wealth to land holders and more jobs | No wind farms |
| Carbon Tax | Increased electricity and other costs, but no impact on Council owned landfill sights/tips | Increased electricity and other costs, but no impact on Council owned landfill sights/tips | Increased electricity and other costs, but no impact on Council owned landfill sights/tips |
| National & global economic factors | Australia's economy continues to grow at roughly 2% | Australia's economy buoyed by the resources and agricultural sector grows at 4% | Australia's economy grows by less than 1% due to economic problems overseas |
| Interest rates | Cash rate remains at the current rate of 4.25% | Cash rate increases to 5.5% due to strong performance of the Australian economy and the potential for overheating | Cash rate reduced to 3% due to poor performance of the Australian economy |
| CPI | Assume 2.5% (per 20 year average to December 2011) | Assume 4% due to increased inflation resulting from strong economic performance | Assume 1% due to sluggish demand putting downward pressure on prices |
| Fuel costs | Increases above CPI due to increased global demand | Increases above CPI due to increased global demand | Increase per CPI as global slowdown reduces demand |

As many of the above economic drivers are subjective and their impact on Council's financial performance and operations is hard to quantify, the impact of economic drivers in Council's scenario analysis has been broadly captured by the assumed cash rate (see Part 9.1 for details).

2.4 Political trends and Government policy

The Local Government sector currently faces a high level of uncertainty, with the Independent Local Government Review Panel's recently released *Future Directions for NSW Local Government* report suggesting several key changes to the way local government is run, including but not limited to:

- Changes to rate pegging;
- The possibility of re-directing FAGs grants to rural and remote Councils;
- The creation of County Councils;
- Amalgamations;
- The creation of a Western Region Authority (Note: does not affect Warrumbungle Shire).

This report combined with the TCorp *Financial Sustainability of the New South Wales Local Government Sector* report, which provided a detailed analysis of the sustainability of the local government sector both pave the way for significant change in the way local governments are run.

As with economic trends, the impact of political trends is extremely hard to measure. Council has assumed that the current political risks that Council faces include:

- Risk relating to grants and contributions from State and Federal government;
- Pressure on local Councils to amalgamate or share services;
- Increased reporting requirements from other levels of government, which although helpful can be resource intensive for smaller Councils;
- Increased federal and state pressure for local government to provide increased services without the commensurate financial support (cost shifting).

The main measurable impact of these trends on Council's financial position relates to the risk around Federal and State support. As Council receives roughly 50% of its revenue (2012 figures) from grants and contributions it faces significant revenue risk due to this heavy reliance on support from other levels of government. These risks and the nature of the various grant programs are dealt with in detail in Part 3 of the LTFP.

For the purpose of this plan it has been assumed that there will be no amalgamations that affect Warrumbungle Shire Council within the next ten years (per recommendations from the Future Directions Report), and that the level of service sharing can't be estimated, nor can the potential financial impact that this would entail.

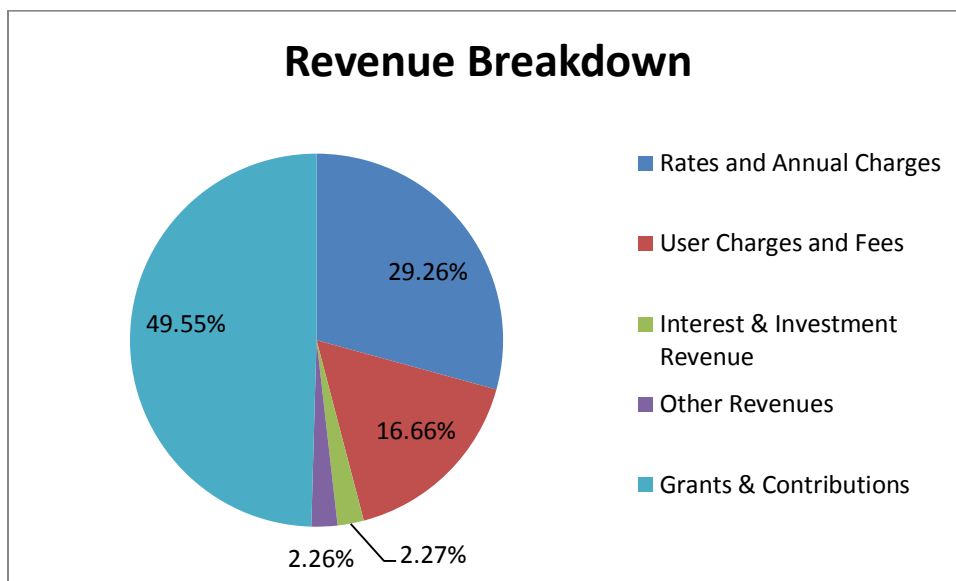
Although there may be a trend towards the responsibility for the provision of certain services being passed down to local government, Council is currently unable to predict what responsibilities would be transferred to Council, nor the financial impact of such transfers and has therefore not addressed this issue in the LTFP.

2.5 Expectations from the Community Strategic Plan (CSP)

The base scenario in this plan assumes business as usual and does not include community expectations from the Community Strategic Plan (CSP). Wish list items from the CSP have been incorporated into the LTFP in a separate analysis in Part 9. This analysis seeks to answer whether the wish list items are feasible given the results of the financial analysis in this plan, and then investigates whether Council should explore the option of applying for a Special Rates Variation to fund these items.

Part 3: Revenue

Warrumbungle Shire Council obtains revenue from a variety of sources including rates and annual charges (2012: \$10.040m), user charges and fees for services (2012: \$5.715), interest and investment revenue (2012: \$0.78m), other revenue (2012: \$0.774m) and grants and contributions for both operating and capital purposes (2012: \$17.001m). Council also receives gains or incurs a loss from the disposal of assets (2012: \$0.285m loss). The breakdown of revenue (not including gains) by type for the 2011/12 financial year is detailed in the chart below:



It should be noted that in comparison with other Council's, Warrumbungle Shire Council is heavily reliant on grants and contributions to meet its daily operating requirements, with grants and contributions forming 49.55% of total revenue in 2011/12 as opposed to the NSW average of 27.4% (2010/11).

Further information on the assumptions behind individual revenue line item estimates are detailed below.

3.1 Rates and Annual Charges

Rates and annual charges form 29% of Council's revenue, and consist of ordinary rates for residential land, farmland and businesses (2012: \$6.509m), and annual charges for domestic waste management, water supply and sewerage supply (2012: \$3.531m).

Council levies an ordinary rate for each year on all rateable land in the Shire per s.495 of the Local Government Act 1993 (the Act). Council's rates are structured on the basis of a base rate and an Ad Valorem on the land value of the property with property valuations provided by the NSW Valuer General on a 3 year cycle. The 2012/ 2013 rating year was the first year of a new valuation cycle. Council's rating structure is reviewed annually and is assumed to remain constant over the life of the LTFP.

Council currently levies rates for three of the four categories under S.493 of the Act (farmland, residential and business) and have set a mining rate although there are currently no properties in this rate category. The following table provides an overview of each rate category in the context of Council’s overall forecast rates revenue for the 2013/14 financial year.

| Category | Base Rate | Ad Valorem | Total Rate Revenue | Number of Properties | Value of Properties |
|---------------|--------------------|--------------------|--------------------|----------------------|------------------------|
| Residential | \$806,689 | \$1,205,302 | \$2,011,985 | 3,831 | \$136,053,051 |
| Farmland | \$910,543 | \$3,689,568 | \$4,600,110 | 1,741 | \$872,949,993 |
| Business | \$127,710 | \$426,472 | \$554,189 | 384 | \$16,005,759 |
| Mining | - | - | - | - | - |
| Total: | \$1,844,942 | \$5,321,342 | \$7,166,284 | 5,956 | \$1,025,008,803 |

Future projections for rate revenue are dependent on the following four factors:

- Rate pegging
- Pensioner subsidies
- Population change
- Mining rate

Rate Pegging

The Minister for Local Government regulates the growth of annual rates revenue through ‘Rate Pegging’. Rate pegging determines the maximum amount by which Councils can increase their annual rates income. This limit applies to Council’s total rates base, and individual rates may increase above the limit. Commencing from the 2011/12 financial year, responsibility for determining the annual rate peg has been delegated to the Independent Pricing and Regulatory Tribunal (IPART). Under this framework a new local government cost index has been established by IPART and this index, less a productivity coefficient, forms the basis for the rate peg each year. The projections in the LTFP assume a rate peg of 3.4% for the 2013/14 financial year and 3.25% in later years (Source: Rate peg for NSW Councils for 2013/14 IPART Fact Sheet).

Pensioner Subsidies

Council policy provides for all eligible pensioners to receive a rebate for a portion of their rates and annual charges including water connection, sewer connection and domestic waste. 55% of this discount is funded by a State Government grant with the remaining 45% being recovered across the balance of the rating base. Over recent years the Shire has experienced an increase in the number of pensioners within the Shire and given the ageing population and demographic projections for the Shire this trend is expected to continue.

Population change

The growth in the number of residential properties and businesses can also affect the final rates value, with a population increase generally resulting in an increase in the number of rateable properties and businesses. It has been assumed that as the amount of farm land is generally fixed, population change will not affect farmland rates. The number of rateable properties in the Shire is expected to remain relatively constant under the base scenario.

Mining rate

With the expected opening of the Cobbora mine in the near future Council has developed a mining rate. Due to the uncertainty around the opening of the mine and its impact on Council's rates base, any impact from the introduction of this mining rate on Council's projected revenue balance has been excluded from the projections in this version of the LTFP.

Annual Charges – Water, Sewer and Waste

Annual charges consist of domestic waste management charges, and water supply and sewerage services. Per s.504(3) of the Act, income obtained from domestic waste management (charges) must be calculated so as to not exceed the reasonable cost to council of providing these services. As domestic waste management charges are calculated to cover operational costs associated with the provision of this service it has been assumed that annual charges relating to domestic waste management will increase by the budgeted price increases for the 2013/14 financial year, followed by a 2.5% increase per annum thereafter. These charges have been calculated to ensure full cost recovery for the waste business across the ten years of the LTFP.

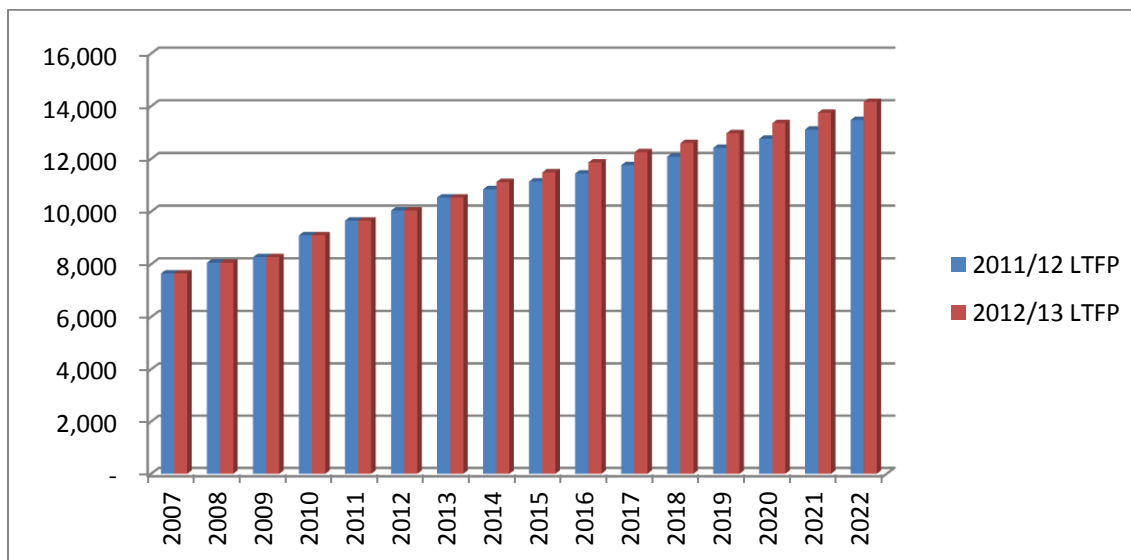
Annual charges relating to water supply services include all water connection fees, while sewerage services include connection fees for residential properties (based on two rates one for connected properties and one for non-connected properties). Water charges (access charges) are forecast to increase by 2.5% per annum over the life of the LTFP and sewerage charges have been forecast to increase by 5% over the first four years of the LTFP and then by 2.5% thereafter. It is assumed that the pricing structure of the water and sewerage "utilities" will allow for these utilities to run with margins sufficient to ensure that they are commercially sustainable in the long run (i.e. cost increases need to be covered by revenue, and that revenue will also cover the cost of future major capital replacements and upgrades).

The assumptions used for the projection of rates and annual charges in the base scenario are:

- **Rate pegging on ordinary rates** – Assume an increase of 3.4% for 2013/14, and 3.25% for later years;
- **Pensioner subsidy** – Assume movement in the rate/charge item the pensioner subsidy relates to. Unlike the previous plan, there has been no adjustment in the base scenario for the impact of population ageing on the pensioner subsidy amount;
- **Annual Charges (sewer & water)** – 2012/13 assumes latest forecast; 2013/14 on sees water access charges increase by 2.5% per annum, and sewer charges increase by 5% for the first four years of the LTFP followed by 2.5% thereafter;
- **Domestic waste management** – Increases per new budgeted charges in 2013/14 and then by 2.5% thereafter.

Council's projected rates and charges revenue for the 2012/13 to 2021/22 financial years is detailed in the following table. Note: figures are in thousands, and figures from the 2006/07 to 2011/12 financial years are actuals per Council's audited financial statements.

Diagram 6 – Projected Rates and Annual Charges Revenue



The variance between the 2011/12 and 2012/13 forecasts is due to the 2012/13 forecast factoring in a 2.5% increase in water access charges, and changes in the way Council calculates its domestic waste charges (see previous page).

3.2 User Charges and Fees

Council derives roughly 17% of its total revenue from user charges and fees. In the 2011/12 financial year the breakdown of user charges and fees was:

- Charges for water supply (\$0.884m);
- Sewerage services (\$0.108m);
- RMS charges for work carried out by Council on state roads (\$3.234m);
- Child care fees (\$0.768m);
- Aged care fees (\$0.129m);
- Cemetery fees (\$0.076m);
- Private works under S.67 of the Local Government Act (\$0.129m);
- Swimming centres (\$0.070m);
- Other revenue (\$0.317m).

Charges for water supply and sewerage services are specific “actual use” charges under s.502 of the Local Government Act 1993. Water supply charges are based on the metered consumption of water by residents of the shire, while sewerage services relate to a levy charged to non-residential users of sewer services that is based on the volume of water passing through the water meter and then calculated on the basis of a discharge factor. Projections for future water and sewerage supply services are based on historical consumption patterns and projections in relation to the cost of providing these services (as the cost to Council for the provision of sewer and water services is fully recouped from the users of these services).

RMS charges relate to work carried out on state roads for RMS, while child care fees refers to revenue earned by Council for the provision of child care facilities under the Family Day Care,

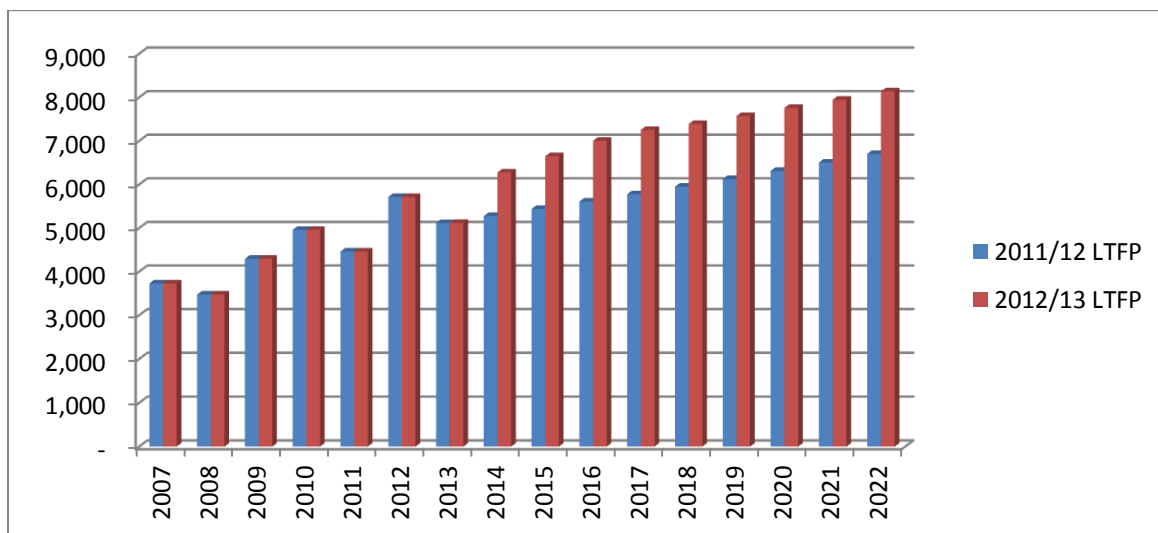
Connect 5 and Yuluwirri Kids programs. Child care services (along with aged care services) are provided on a cost neutral basis, and revenue will therefore generally increase per the increase in costs to provide these services.

The assumptions used for the projection of user charges and fees in the base scenario are:

- **Water and sewerage charges** – 2012/13 uses the latest forecast which is based on current consumption trends. Water consumption charges are forecast to increase from \$1.60 per kl in 2012/13 to \$1.70 per kl in 2013/14 and then increase steadily thereafter, with water consumption remaining constant at 720,000kl per annum. Revenue relating to non-residential sewerage is assumed to increase by 5% for the first four years of the LTFP and then 2.5% thereafter (assumes full cost recovery).
- **RMS charges, private works and other revenue** – Assumed to increase by CPI (2.5% in the base scenario). Assumes that road maintenance contracts with RMS will continue as per prior years. Private works are assumed to increase by 50% in 2014/15 as Council more aggressively targets private works.
- **Child care fees and swimming centres** – Assumed to increase by CPI, although the LTFP does factor a \$10k increase in swimming pool revenue in 2014/15 due to more aggressive advertising and pricing;
- **Aged care and cemeteries** – Assumed to increase by CPI;
- **Quarry Revenue** – Quarry Revenue is based on estimates from Council’s Technical Services Directorate based on forecast product volume and exploitation trends.

Council’s projected fees and charges revenue for the 2012/13 to 2021/22 financial years is detailed in the following table. Note: figures are in thousands, and figures from the 2006/07 to 2011/12 financial years are actuals per Council’s audited financial statements. The table includes the latest forecasts in red, as well as the forecasts from the previous version of Council’s LTFP in blue.

Diagram 7 – Projected Fees and Charges Revenue



The variance between the 2011/12 and 2012/13 forecasts is predominantly due to the 2012/13 forecast including revenue of roughly \$1m per annum from the Warrumbungle Quarry business arm of Council. Council only entered into a lease for the quarry in the 2012/13 financial year.

3.3 Interest and Investment Income

Interest and investment income accounts for approximately 2% of Council's total revenue (2012: \$0.780m), and Council holds significant funds in both long term investments and term deposits (2012: \$16.045m). Projected interest and investment income will generally depend on both the amount of funds that Council has invested in future years as well as the expected return on these investments. The LTFP assumes that Council will generally hold \$500k on hand for operational needs with the remaining cash balances invested in TDs or other investments. Returns available depend on the investment vehicle, although all TDs assume the cash rate plus 1.25%.

Council's investment policy requires that Council invest surplus funds at the most favourable rate of interest available to it at the time whilst having due consideration of risk and security for that investment type. Although Council has historically invested a significant portion of its available funds in CDOs and CPNs, post the GFC, as grandfathered investments such as CDOs mature, the funds from these investment vehicles have been re-invested in term deposits. Projections in the LTFP assume that this practice will continue.

Council is also forecast to earn investment income as a result of Council entering into the Local Infrastructure Renewal (LIRS) program. In the absence of final accounting advice on how the LIRS discount is to be treated, Council has treated the discount as investment income. Figures are per Council's loan schedule which calculates the discount (4% for LIRS 1, and 3% for LIRS 2) based on loan interest repayment forecasts. The other item included in interest and investment income is Council's dividend for shares it owns in Southern Phone Company.

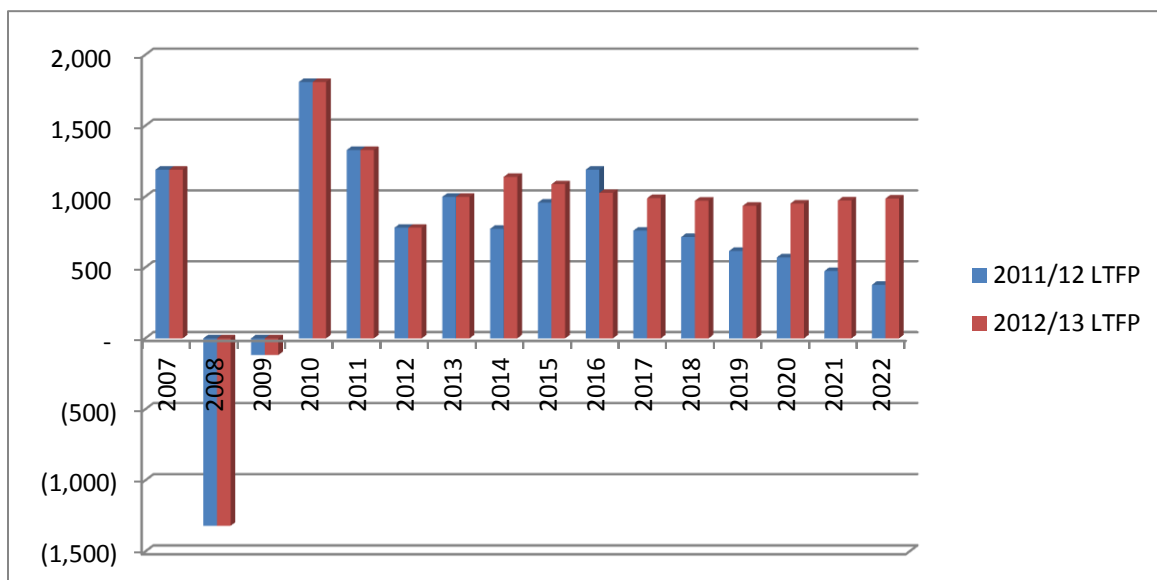
The assumptions used for the projection of interest and investment income in the base scenario are:

- **Returns on term deposits** – Assumes cash rate of 4.25% plus 1.25% (i.e. 5.5%). There is some concern that this assumption is overly aggressive over the short run, however, an average cash rate of 4.25% over ten years is justifiable;
- **Returns on CDOs and CPNs** – Assumes returns on all CDOs and capital protected notes are per Council's latest investment report and funds currently in these investment vehicles will be re-invested as term deposits upon maturity;
- **Cash balance invested** – Assumes cash balance less cash on hand (cash on hand assumed to be \$500k).
- **Discount from LIRS** – Assumes that the 4% discount is treated as revenue in each year that the discount is received.

Council's projected interest and investment income for the 2012/13 to 2021/22 financial years is detailed in the following table. Note: figures are in thousands, and figures from the 2006/07 to 2011/12 financial years are actuals per Council's audited financial statements. The table includes

the latest forecasts in red, as well as the forecasts from the previous version of Council’s LTFP in blue.

Diagram 8 – Projected Interest and Investment Income



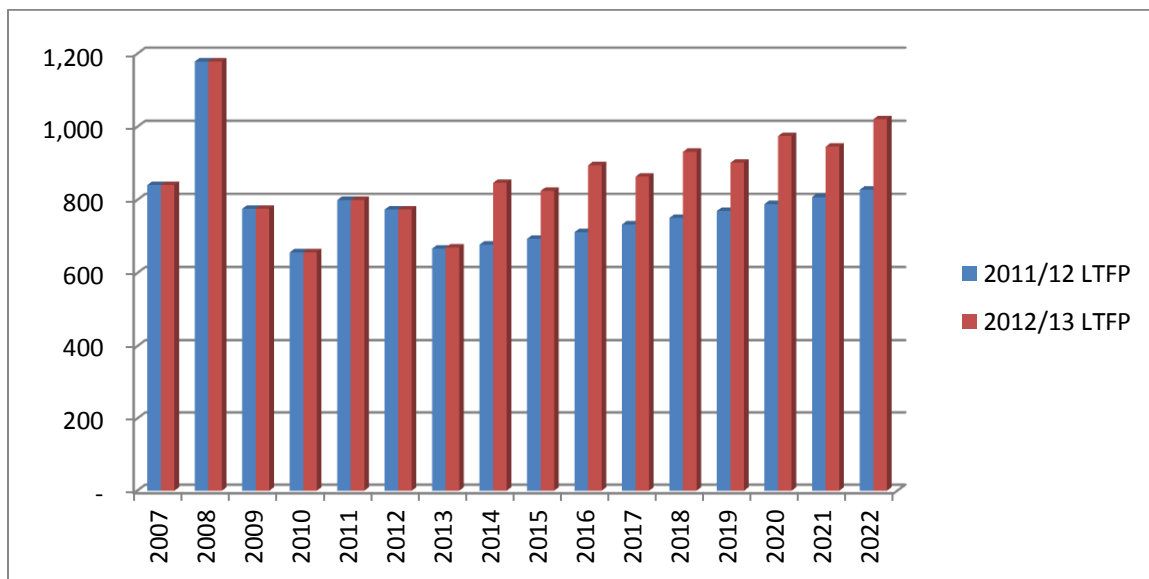
The variance between the 2011/12 and 2012/13 forecasts is predominantly due to Councils significantly improved forecast cash balance in the 2012/13 forecast. This improvement is due to tough decisions made in regard to capital allocation as part of the 2013/14 budget which resulted in reduced expenditure on the construction of new assets, as well as revisions in Council’s revenue policies to achieve full cost recovery in Council’s water, sewer and waste functions.

3.4 Other Revenue

Other revenue accounts for only 2% of Council’s total revenue and includes items such as rental income, legal fees recoveries, diesel rebate, insurance claim recoveries and recycling income. It has been assumed for projection purposes that these items will all increase by CPI in the base model.

Council’s projected other revenue for the 2012/13 to 2021/22 financial years is detailed in the following table. Note: figures are in thousands, and figures from the 2006/07 to 2011/12 financial years are actuals per Council’s audited financial statements. The table includes the latest forecasts in red, as well as the forecasts from the previous version of Council’s LTFP in blue.

Diagram 9 – Projected Other Revenue



The variance between the 2011/12 and 2012/13 forecasts is predominantly due to increased forecast legal fees recoveries (relates to legal fees for debt collection on outstanding rates) in the 2012/13 forecast. The 2011/12 forecast understated this line item.

3.5 Grants and Contributions

As a relatively small rural Council with a smaller rate base (when compared to urban councils) Warrumbungle Shire Council is heavily reliant on grants and contributions to fund its operations. In the 2011/12 financial year Council obtained 49.55% (\$17.001m) of its total revenue from various grants and contributions. This over reliance on grant revenue could present major challenges in the long run if this source of funding was to be cut back.

The main sources of grant revenue are (figures per 2011/12 financial year):

- Financial Assistance Grants (\$7.249m – includes FAGs grants for 5 quarters);
- Other Roads and Bridges Funding (\$1.553m);
- Bushfire and Emergency Services (\$2.543m);
- RTA Block Grants (\$2.405m);
- Roads to Recovery (\$0.690m);
- Child Care (\$1.214m);
- Aged Care (\$0.660m);
- Pensioner rates subsidy (\$0.0217m);
- Other (\$0.470m).

Council’s main form of grant assistance is financial assistance grants (17% of Council’s total revenue in 2010/11, 21% in 2011/12) which are federal untied grants that are distributed between the states and Territories on the basis of their percentage of the total population. These grants are indexed each year for increases in CPI and population. Financial assistance grants consist of two components both of which are distributed to councils on the basis of complex formulas:

- A general purpose component which is distributed on a full equalisation basis which attempts to compensate local governing bodies for differences in expenditure required in the performance of their functions and in their capacity to raise revenue;
- An identified local road component which is distributed according to Council's share of the State's rural population, rural local road length, and length of bridges on rural local roads.

Other roads and bridges funding includes:

- Natural disasters grants which provide funding for the restoration of road and bridges damaged as a direct result of a natural disaster event (100% funding for regional roads, and 75% for local roads up to \$116,000 after which funding is 100%; total council contribution for repair of local roads subject to natural disasters is capped at \$58,000 p/a);
- The REPAIR program which provides 50/50 funding for major rehabilitation and development works on regional roads.

Bushfire and emergency services grants are grants Council receives for the running of the rural fire service and local emergency services (i.e. SES, VRA and local fire brigades). The RFS grant is based on a bid process carried out by RFS and Council is required to pay 11.7% of the total bid amount. The difference between the original bid and Council's 11.7% is recognised as a grant, with the total bid amount recognised as expenditure.

Block grants are RMS grants provided to Council for the maintenance of regional roads and are determined based on a formula (for rural councils) that takes into account regional road length, traffic usage and the length of timber bridges. Block grants generally increase by CPI.

The Roads to Recovery program was designed to assist local government in funding the maintenance of the local road network. The current R2R program runs between the 2009/10 and 2013/14 financial years, and under this round of R2R funding Warrumbungle Shire will receive federal funding totalling \$5.478m. In the 2012-13 Budget, the Government announced that it will provide a further \$1.75 billion (\$350 million per annum) to extend the Roads to Recovery Program for five years from 2014-15 to 2018-19.

Child care, aged care and community care grants include grants from Family and Community Services, ADHC, Transport for NSW, NSW Health and DEEWR for the provision of aged care and child care services. As Council's child care, aged care and community care functions are cost neutral, it has been assumed that these grants will increase with the cost of providing these services.

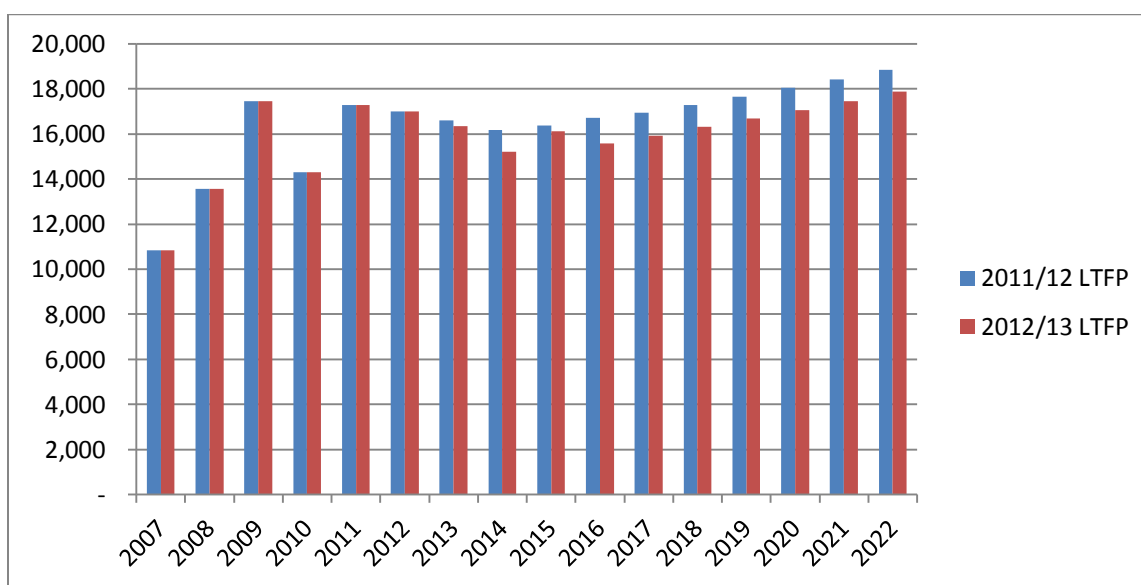
The assumptions used for the projection of grants and contributions revenue in the base scenario are:

- **Financial assistance grants** – Assumed to increase by CPI (2.5%). Note: the impact of population change on the final grant amount was considered immaterial. It should also be noted that traditionally Council's FAGs grant revenue has actually increased by an average of 4% per annum over the last 20 years, although the base scenario assumes a conservative increase of 2.5% per annum;
- **Other roads and bridges funding** – Assumes no Natural Disasters grants over the LTFP timeline (unlike the 2011/12 LTFP) and REPAIR program grants of \$400k per annum;
- **Bushfire and Emergency Services** – Assumed to increase by CPI (2.5%);
- **RMS block grants** – Assumed to increase by CPI (2.5%);

- **Roads to Recovery** – Assumes \$1.054m in 2013/14 and \$1.250m annually post 2013/14;
- **Child Care** – Assumed to increase by CPI (2.5%);
- **Aged Care & Community Care** – Assumes CPI (2.5%);
- **Pensioner Rate Subsidy** – Assume 55% of pensioner subsidy;
- **Other** – Assumed to increase by CPI (2.5%).

Council’s projected grants revenue for the 2012/13 to 2021/22 financial years is detailed in the following table. Note: figures are in thousands, and figures from the 2006/07 to 2011/12 financial years are actuals per Council’s audited financial statements. The table includes the latest forecasts in red, as well as the forecasts from the previous version of Council’s LTFP in blue.

Diagram 10 – Projected Grants Revenue



The variance between the 2011/12 and 2012/13 forecasts is predominantly due to the 2012/13 LTFP not forecasting natural disaster grants (\$1m per annum).

3.6 Gains/(Losses) from Disposal of Assets

Gains/(losses) from the disposal of assets refers to the net of the amount Council earns when it trades in/disposes of vehicles and other assets under its control less the written down value of these assets at time of disposal. Gains/(losses) from the disposal of assets generally include:

- Gain/(loss) on the disposal of plant vehicles – Council generally makes a gain from the disposal of plant vehicles at the time of trade in (see graph on following page for historical data).
- Losses from the write off of infrastructure assets replaced by Council – As of the 2011/12 financial year, Council began to correctly account for the disposal of assets replaced as part of Council’s road re-seal, pavement rehabilitation, and pavement re-sheeting programs. This resulted in Council recognising a \$477k write down of infrastructure

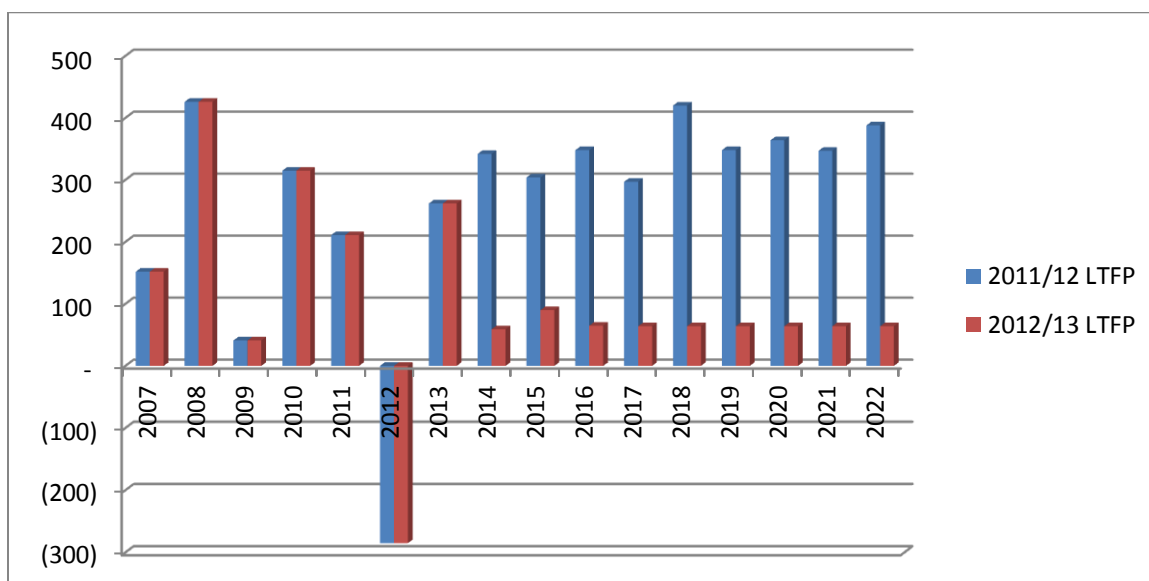
assets in the 2011/12 financial year. This version of the LTFP includes forecasts for the loss from disposal of infrastructure assets.

Due to the high level of uncertainty in regard to trade in value and the fact that Council will be reviewing its vehicle replacement program and infrastructure depreciation assumptions over the following year, Council has used very general assumptions for both the trade in value of vehicles sold and the WDV of these vehicles and infrastructure assets disposed.

Council’s forecast gains and losses from the disposal of assets assume a trade in value of \$800k per annum for fleet vehicles, plus the expected trade in value for grant funded program vehicles. The WDV of assets disposed is assumed to be roughly \$600k for plant and equipment (resulting in a \$200k gain) and \$200k per annum for infrastructure assets.

Council’s projected gains from the disposal of assets for the 2012/13 to 2021/22 financial years is detailed in the following table. Note: figures are in thousands, and figures from the 2006/07 to 2011/12 financial years are actuals per Council’s audited financial statements. The table includes the latest forecasts in red, as well as the forecasts from the previous version of Council’s LTFP in blue.

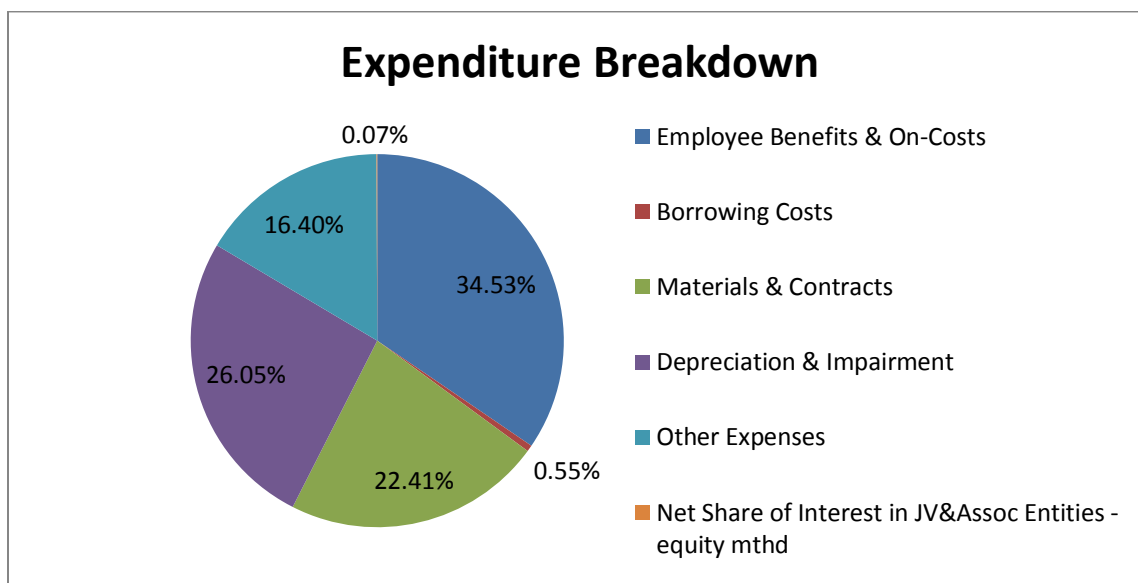
Diagram 11 – Projected Gains from the Disposal of Assets



The variance between the 2011/12 and 2012/13 forecasts is predominantly due to the 2012/13 version of the LTFP including forecasts for the loss from disposal of infrastructure assets.

Part 4: Recurrent Expenditure (OPEX)

Warrumbungle Shire incurs the following expenditure in the course of its operations: Employee benefits and on-costs (2012: \$12.56m), borrowing costs (2012: \$0.2m), materials and contracts (2012: \$8.154m), depreciation, amortisation and impairment (2012: \$9.478m), other expenses (2012: \$5.965m), net losses from the disposal of assets (2012: \$0.285m) and net share of interests in joint ventures and associated entities using the equity method (2012: \$0.024m). The breakdown of these expenses (excluding losses from disposal of assets) for the 2011/12 financial year is detailed in the chart below:



4.1 Employee Benefits and On-costs

Employee related expenditure is the single largest expense type incurred by Warrumbungle Shire Council (2012: 34.53%). Council currently employs 196 permanent staff (headcount) in a variety of roles, although this number is likely to change as a result of the current review of Council's organisational structure. Council currently faces significant challenges in filling roles (particularly technical roles) due to a declining rural population, and a drift of skilled staff to the coast, which indicates that in future Council may be required to pay higher than award levels of remuneration to attract and maintain skilled staff. Competition from the mines has recently eased as the mines lay off workers which should somewhat mitigate retention issues with outdoor staff. Employee related issues such as maintaining/improving workforce capacity are dealt with in detail in the Workforce Strategy and have therefore not been addressed in the LTFP.

The assumptions used for the projection of employee related expenditure in the base scenario are:

- **Staff numbers** – Council has assumed that staff numbers will remain roughly at the current level over the life of the LTFP, with some minor adjustments for efficiency gains from the new structure (detailed below);
- **Changes in award rates** – The new Local Government (State) Award 2010 came into effect on 1 November 2010. The award guarantees wages increases for local government employees until the end of the 2013/14 financial year of 3.25% per annum. These wage

increases have been used for the purpose of forecasting award increases in salaries and wages over the lifetime of the LTFP, i.e. salaries and wages are forecast to increase by 3.25% each year over the life of the LTFP.

- **Above award pay increases** – Due to the recent downturn in the resources sector and expectations of substantial cutbacks in mining related jobs, Council has not built in above award pay increases into the base scenario of its 2012/13 LTFP. Although it is expected that Council will still face challenges in filling certain skilled positions the net impact of these challenges on total salaries in the base scenario is assumed to be zero due to the use of non-financial incentives to attract staff, and the expectation that higher pay for highly skilled staff will be coupled with higher responsibilities that will reduce the need for other positions, contractors or casuals.
- **Workers compensation** – Workers compensation insurance premium payments are based on previous claims history and projected premiums in the LTFP are calculated by taking the forecast premium for the following year and increasing it by CPI. As part of Council’s budget process, Council has identified workers compensation as an area where Council can make substantial cost savings, and the new LTFP assumes a \$150k reduction in workers compensation premiums commencing in the 2014/15 year due to a review of and improvements in current WH&S practices.
- **Capitalisation rate for employee related expenditure** – Council capitalises a portion of employee related expenditure that relates to the construction of assets per the requirements of AASB 116 – *Property, Plant and Equipment*. The percentage of employee related expenditure capitalised has been assumed to stay constant from year to year for the purpose of the LTFP.
- **Superannuation** – Contributions by Council to both defined benefit and defined contribution superannuation plans have been forecast to increase per the increase in salaries and wages plus the expected increase in the superannuation guarantee. Effective from 1 July 2013, the Superannuation Guarantee percentage will increase to 9.25%, and will eventually rise to 12% by July 2019. The increase in the guarantee will be staggered and the rates used in the plan are per the table below:

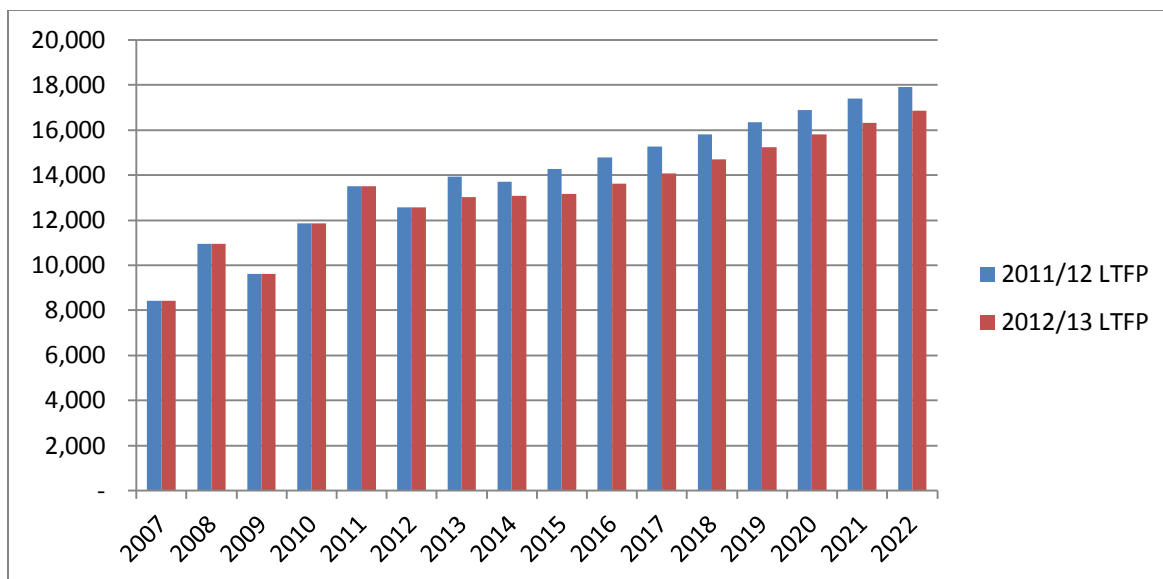
| Financial year | Rate |
|----------------|-------|
| 2012/13 | 9% |
| 2013/14 | 9.25% |
| 2014/15 | 9.5% |
| 2015/16 | 10% |
| 2016/17 | 10.5% |
| 2017/18 | 11% |
| 2018/19 | 11.5% |
| 2019/20 | 12% |

- **Employee benefits** – Employee leave entitlements such as annual leave and long service leave have been projected to increase at the same rate as general salaries expenditure.

- **Efficiency gains from new structure** – The LTFP assumes a \$200k cost saving commencing in the 2014/15 financial year as a result of the new structure.

Council’s projected employee related expenditure for the 2012/13 to 2021/22 financial years is detailed in the following table. Note: figures are in thousands and figures from the 2006/07 to 2011/12 financial years are actuals per Council’s audited financial statements. The table includes the latest forecasts in red, as well as the forecasts from the previous version of Council’s LTFP in blue.

Diagram 12 – Projected Employee Related Expenditure



The variance between the 2011/12 and 2012/13 forecasts is predominantly due to the 2011/12 LTFP basing its employee related expenditure forecasts on 2010/11 actuals, which included a miscoding of roughly \$1m (discovered during the preparation of the 2011/12 statements) involving materials and contracts expenditure that was miscoded as employee related expenditure.

4.2 Borrowing Costs

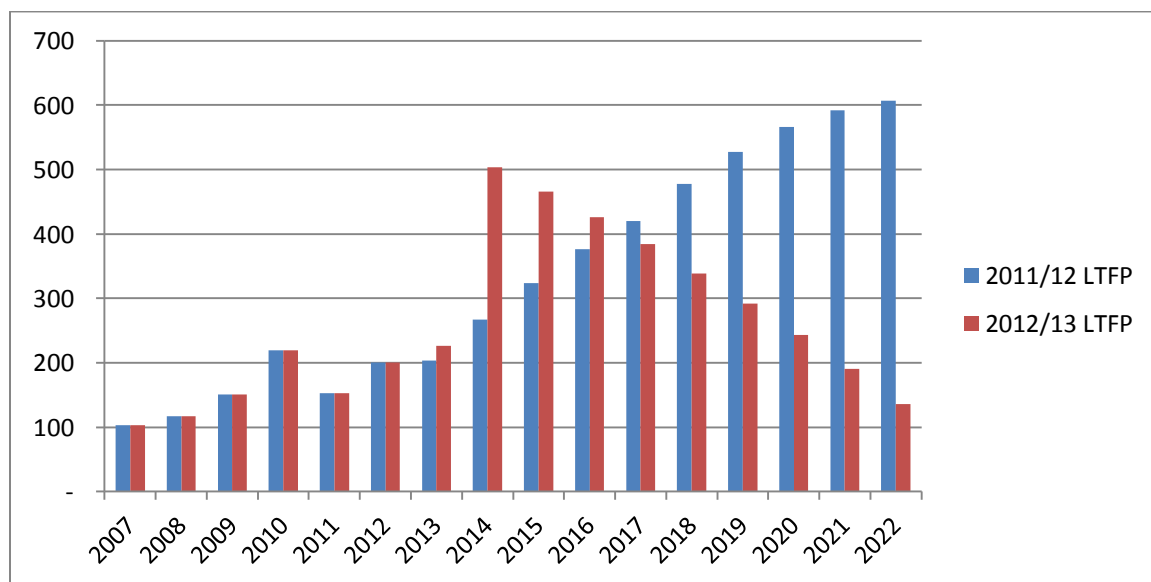
Borrowing costs incurred by Council include interest on loans held by council, charges relating to finance leases and discount adjustments relating to movements in quarry remediation liabilities. Borrowing costs currently form less than 1% of the total expenditure incurred by Council.

Borrowing cost projections are based on current loans, finance lease and asset remediation schedules for all loans currently held by Council, as well as cost projections for the proposed LIRS 2 Loan. Details of Council’s forecast loan balance as at 1 July 2013 (assuming Council enters into the LIRS 2 loan on 1 July) and loan terms are provided in the table below.

| Loan Details | Principal Outstanding at 1 July 2013 | Interest Rate | Term | Activity |
|--|--------------------------------------|---------------|----------|-----------------|
| Loans Currently Held by Council | | | | |
| LIRS 1 Local Roads Bridges Loan | 2,213,714 | 5.80% | 10 years | Local Roads |
| Administration Building Loan | 1,472,066 | 5.80% | 10 years | Property & Risk |
| Regional Road Bridges | 720,000 | 7.75% | 15 years | Regional roads |
| Mendooran Water Loan | 860,178 | 5.22% | 20 years | Water |
| Total Current Loans: | 5,265,958 | | | |
| Proposed Loans | | | | |
| LIRS 2 Current | 3,100,000 | 5.80% | 10 years | Local Roads |
| Total Proposed Loans | 3,100,000 | | | |
| Finance Leases | | | | |
| Finance Lease Compactor | 4,655 | 10.24% | 5 years | Waste |
| Grand Total: | 8,365,958 | | | |

Council’s projected borrowing costs for the 2011/12 to 2021/22 financial years is detailed in the following table. Note: figures are in thousands and figures from the 2006/07 to 2011/12 financial years are actuals per Council’s audited financial statements. The table includes the latest forecasts in red, as well as the forecasts from the previous version of Council’s LTFP in blue.

Diagram 13 – Projected Borrowing Costs



It should be noted that a large portion of the borrowing costs above are assumed to be offset by the LIRS discount which is treated as interest and investment revenue in the LTFP. The LIRS discount will offset \$1.027m of Council’s total \$2.948m interest payments over the ten years of the LTFP.

The variance between the 2011/12 and 2012/13 forecasts is predominantly due to the 2011/12 LTFP assuming that the LIRS loan would be taken out over the 2012/13 to 2016/17 financial years at \$1.15m per year (total of the two schemes \$5.75m) while the 2012/13 LTFP includes the

\$2.3m already drawn down in the 2012/13 financial year and assumes that a further \$3.1m will be drawn down in the 2013/14 financial year. The 2011/12 LTFP also assumed further \$7.5m worth of borrowings in outer years to fund CAPEX while the revised LTFP does not include these further borrowings.

4.3 Materials and Contracts

Materials and contractors is the second largest cash expense item incurred by council (22.41% of total expenditure in the 2011/12 financial year). Materials and contracts payments include:

- Raw materials and consumables (2012: \$3.053m) which generally relates to fuel, bitumen, and other materials used predominantly in the maintenance of Council's assets. Note materials and consumables used as part of capital jobs are capitalised;
- Contractor and consultancy costs (2012: \$4.808m), which also relates predominantly to Council's maintenance program, as well as expenditure relating to RMS works;
- Other materials and contracts costs including operating lease expenses, legal expenses, and auditor fees (\$0.293m)

Changes in the scope of Council's recurrent maintenance program as well as increases in input costs are the two main cost drivers for movements in materials and contracts expenditure. Changes in the maintenance program have been captured in the 2013/14 projections via the budget process, and it is assumed for the purpose of this plan that the quantity of work done as part of the maintenance program will remain relatively constant over the lifetime of this plan.

It should be noted that maintenance expenditure can be split into normal maintenance expenditure and maintenance expenditure relating to natural disasters which can not be predicted and is outside the normal maintenance program. Natural disasters can have a big impact on Council's operations, as a \$2m natural disaster will generally divert \$2m worth of expenditure away from capital works into maintenance. Natural disaster works is nearly fully funded by RMS.

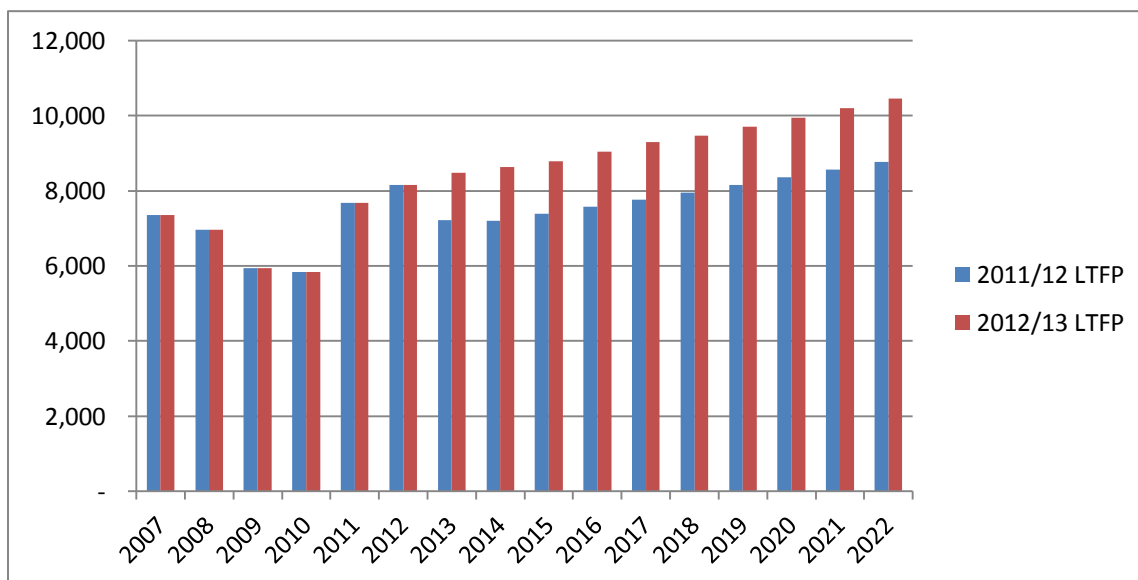
The assumptions used for the projection of materials and contracts in the base scenario are:

- **Maintenance program** – 2013/14 per budget, program assumed to stay constant post 2013/14 with costs increasing by CPI;
- **Natural disaster maintenance** – The base scenario of the revised 2012/13 LTFP does not include a forecast for natural disasters;
- **Non-maintenance raw materials and contractor expenditure** – Assumed to increase by CPI (2.5%);
- **Cost saving initiatives from the 2013/14 budget** – The LTFP also includes a \$50k reduction in IT contract costs commencing in the 2014/15 financial year as a result of a planned review of IT processes and current contracts.
- **Other materials and contracts costs** – Assumed to increase by CPI (2.5%).

Council's projected materials and contracts expenditure for the 2011/12 to 2021/22 financial years is detailed in the following table. Note: figures are in thousands and figures from the 2006/07 to 2011/12 financial years are actuals per Council's audited financial statements. The

table includes the latest forecasts in red, as well as the forecasts from the previous version of Council’s LTFP in blue.

Diagram 14 – Projected Materials and Contracts Expenditure



The variance between the 2011/12 and 2012/13 forecasts is predominantly due to the 2011/12 LTFP basing its materials and contracts forecasts on 2010/11 actuals, which included a miscoding of roughly \$1m (discovered during the preparation of the 2011/12 statements) involving materials and contracts expenditure that was miscoded as employee related expenditure..

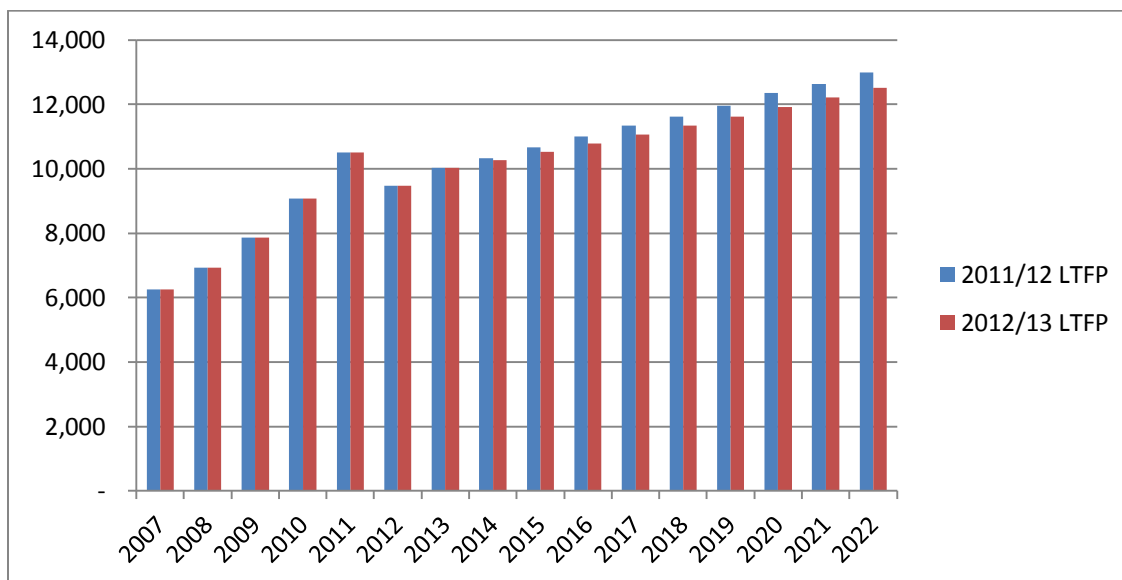
4.4 Depreciation, Amortisation and Impairment

Depreciation and amortisation is the second largest expense type incurred by Council (26.05% of total expenditure). Depreciation/amortisation is a non-cash expense that is defined in AASB 116 – *Property Plant and Equipment* as the systematic allocation of the depreciable amount of an asset over its useful life.

Depreciation and amortisation are dealt with extensively in the AMP, and details on all assumptions used in depreciation/amortisation calculations can be found in the AMP. Impairment is generally as a result of natural disasters and state government funds a major portion of all natural disasters repair work through natural disasters grants. Due to the inherent difficulty in predicting natural disasters (Council has only recorded impairment in one of the previous 5 financial years); impairment has been assumed to be zero for the purpose of these projections

Council’s projected depreciation, amortisation and impairment expenditure for the 2011/12 to 2021/22 financial years is detailed in the following table. Note: figures are in thousands and figures from the 2006/07 to 2011/12 financial years are actuals per Council’s audited financial statements. The table includes the latest forecasts in red, as well as the forecasts from the previous version of Council’s LTFP in blue.

Diagram 15 – Projected Depreciation, Amortisation and Impairment



The 2011/12 LTFP and 2012/13 LTFP depreciation forecasts do not differ materially.

It should be noted that Council commenced its Asset Management Improvement Project (AMIP) in the 2012/13 financial year and two key deliverables of this project are an extensive audit of Council’s asset inventory data (including condition testing etc) and a detailed review of Council’s depreciation assumptions. It is Council’s view that the completion of the AMIP may result in changes to Council’s depreciation projections above.

4.5 Other Expenses

16.4% of Council’s total expenditure is categorised as “other expenditure”. In the 2011/12 financial year the breakdown for other expenditure was:

- NSW rural fire levy (\$2.602m);
- Donations (\$0.162m);
- Regional library contributions (\$0.426m);
- Electricity and heating (\$0.482m);
- Insurance (\$0.597m);
- Telephone and communications (\$0.204m);
- Registration and Licences (\$0.264m)
- Other (\$1.228m).

Bushfire and Emergency Services provide Council with a grant for the running of the Rural Fire Service annually. This grant is based on a bid process where the RFS places a bid with the State Headquarters and Council is required to contribute 11.7% of the total bid amount. Council recognizes the difference between the bid amount and the contribution as a grant while the total value of the bid is recognized as expenditure. This expenditure amount is captured as part of the NSW rural fire levy above which also includes a bid of 1.6% for emergency services headquarters.

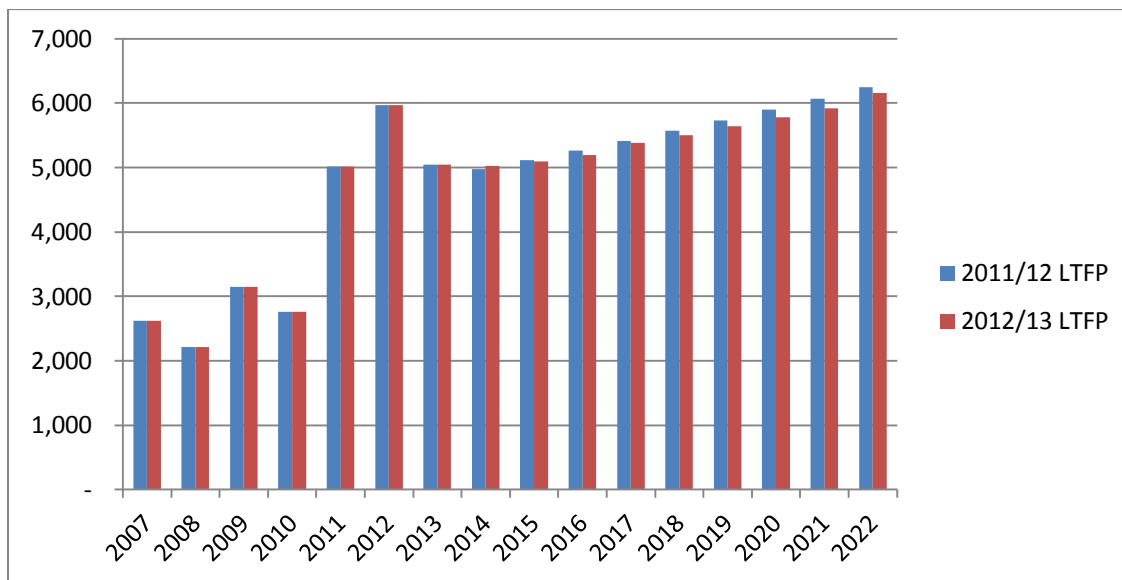
Donations include all other donations made by council, and regional library contributions refer to Council’s contribution to the Macquarie regional library. Insurance refers to the insurance premiums paid by Council, the cost of which is generally based on previous claims history and changes in Council’s asset base.

The assumptions used for the projection of other expenditure in the base scenario are:

- **Rural fire levy** –2013/14 assumes relevant bid for the 2012/13 financial year, outer years assume CPI;
- **Donations, insurance, telephone and other expenses** – Assumes CPI (2.5%);
- **Regional library contributions** – 2013/14 year per information from Macquarie Regional Library, outer years per CPI;
- **Electricity and heating** – Assumes a 2.5% increase with a savings of roughly \$30k commencing in the 2014/15 financial year as a result of Council’s planned review of electricity consumption patterns (one of Council’s 2013/14 budget cost savings initiatives).

Council’s projected other expenditure for the 2011/12 to 2021/22 financial years is detailed in the following table. Note: figures are in thousands and figures from the 2006/07 to 2011/12 financial years are actuals per Council’s audited financial statements. The table includes the latest forecasts in red, as well as the forecasts from the previous version of Council’s LTFP in blue.

Diagram 16 – Projected Other Expenditure



The slight decreased forecast for other expenditure between the 2011/12 LTFP and 2012/13 LTFP is due to cost saving initiatives around electricity costs from the 2013/14 budget.

Part 5: Capital Expenditure (CAPEX)

Assumptions around capital expenditure, asset valuations and asset management are covered in detail in the Asset Management Plan, and have been incorporated into the LTFP. A summary of future capital expenditure has been provided in the tables below based on the capital program in Council's base scenario.

Table 1: Council's Ten Year Capital Program

| Description | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| CORPORATE SERVICES | | | | | | | | | | |
| Administration | | | | | | | | | | |
| Replacement of Air conditioner - Records Room | 4,000 | - | - | - | - | - | - | - | - | - |
| Administration Total | 4,000 | - | - | - | - | - | - | - | - | - |
| Bushfire & Emergency Services | | | | | | | | | | |
| RFS - Enhancements | 50,000 | 22,500 | 23,063 | 23,639 | 24,230 | 24,836 | 25,457 | 26,093 | 26,745 | 27,414 |
| RFS - Fire Control Center Coonabarabran | - | 140,000 | 143,500 | 147,088 | 150,765 | - | - | - | - | - |
| RFS - Vehicles | 284,270 | 285,542 | 292,681 | 299,998 | 307,498 | 315,185 | 323,065 | 331,142 | 339,421 | 347,907 |
| Bushfire & Emergency Services Total | 334,270 | 448,042 | 459,244 | 470,725 | 482,493 | 340,021 | 348,522 | 357,235 | 366,166 | 375,321 |
| Communications & IT | | | | | | | | | | |
| Computer Upgrades - Cabling Project | 121,025 | - | - | - | - | - | - | - | - | - |
| InfoXpert | 76,013 | - | - | - | - | - | - | - | - | - |
| Disaster Recover Centre | 144,564 | - | - | - | - | - | - | - | - | - |
| IT Equipment | - | - | - | - | - | - | - | - | - | - |
| Increase in storage capacity SAN | - | 12,916 | - | - | - | - | - | - | - | - |
| Forecast IT replacement/upgrade costs | - | - | - | - | - | 150,000 | - | - | - | 150,000 |
| Communications & IT Total | 341,602 | 12,916 | - | - | - | 150,000 | - | - | - | 150,000 |
| Economic Development | | | | | | | | | | |
| Shire Entrance Signs | - | 20,000 | 20,000 | 20,000 | 20,000 | - | - | - | - | - |
| Industrial Land | 5,616 | - | - | - | - | - | - | - | - | - |
| Economic Development & Tourism Total | 5,616 | 20,000 | 20,000 | 20,000 | 20,000 | - | - | - | - | - |
| Property & Risk | | | | | | | | | | |
| Cemetery Services | | | | | | | | | | |
| Coona Native Grove Cemetery Expansion | 35,000 | - | - | - | - | 50,000 | - | - | - | 55,000 |
| Cemetery Services Total | 35,000 | - | - | - | - | 50,000 | - | - | - | 55,000 |
| Council Offices & Other Property | | | | | | | | | | |
| Coonabarabran Office Air conditioning | 75,000 | - | - | - | - | - | - | - | - | - |
| Coolah Preschool Refurbishment | 15,000 | - | - | - | - | - | - | - | - | - |
| Coolah Office Air conditioning /Heating | - | - | 50,000 | - | - | - | - | - | - | - |
| Disabled access Coolah Office | - | 20,000 | - | - | - | - | - | - | - | - |
| Dunedoo Depot Capital - Underground Storage | - | - | 20,000 | - | - | - | - | - | - | - |
| Security Audit | - | 50,000 | - | - | - | - | - | - | - | - |
| Council Offices & Other Property Total | 90,000 | 70,000 | 70,000 | - | - | - | - | - | - | - |

Warrumbungle Shire Council – Long Term Financial Plan

| Description | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Depots | | | | | | | | | | |
| Coonabarabran Depot (ex RTA) - Facilities Upgrade | 19,496 | - | - | - | - | - | - | - | - | - |
| Dunedoo Depot Capital - Underground Storage | 43,478 | - | - | - | - | - | - | - | - | - |
| Baradine Depot Capital | 2,938 | - | - | - | - | - | - | - | - | - |
| Old Coonabarabran Depot-Capital - Underground Storage | 35,000 | - | - | - | - | - | - | - | - | - |
| Depots Total | 100,912 | - | - | - | - | - | - | - | - | - |
| Medical Facilities | | | | | | | | | | |
| Coolah Medical Centre Purchase | 158,103 | - | - | - | - | - | - | - | - | - |
| Medical Facilities Total | 158,103 | - | - | - | - | - | - | - | - | - |
| Public Halls | | | | | | | | | | |
| Coona Community Services Building Capital | 32,229 | - | - | - | - | - | - | - | - | - |
| Dunedoo Hall – Refurb of Toilets and Kitchen | - | - | - | - | - | 150,000 | - | - | - | - |
| Hall Baradine – Refurbishment of Toilets | - | 75,000 | 75,000 | - | - | - | - | - | - | - |
| Mendooran Hall - \$25,000 Stage Ceiling | - | - | 25,000 | - | - | - | - | - | - | - |
| Powerhouse museum arts funding | - | 25,000 | - | - | - | - | - | - | - | - |
| Various Public hall renewal projects | - | - | - | - | - | - | 100,000 | 100,000 | 100,000 | 100,000 |
| Public Halls Total | 32,229 | 100,000 | 100,000 | - | - | 150,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Property & Risk Total | 416,244 | 170,000 | 170,000 | - | - | 200,000 | 100,000 | 100,000 | 100,000 | 155,000 |
| Supply Services | | | | | | | | | | |
| Carpet Coonabarabran Store | 8,600 | - | - | - | - | - | - | - | - | - |
| Supply Services Total | 8,600 | - | - | - | - | - | - | - | - | - |
| CORPORATE SERVICES TOTAL | 1,110,332 | 650,958 | 649,244 | 490,725 | 502,493 | 690,021 | 448,522 | 457,235 | 466,166 | 680,321 |
| ENVIRONMENTAL & COMMUNITY SERVICES | | | | | | | | | | |
| Environmental Innovations (Waste) | | | | | | | | | | |
| Expansion of Coonabarabran Waste Landfill Site | 127,000 | - | - | - | - | - | - | - | - | - |
| Environmental Innovations (Waste) Total | 127,000 | - | - | - | - | - | - | - | - | - |
| Environmental Services Management | | | | | | | | | | |
| Libraries | | | | | | | | | | |
| Replacement of Library Shelves (OH&S reqmnt) | 34,315 | - | - | - | - | - | - | - | - | - |
| Libraries Total | 34,315 | - | - | - | - | - | - | - | - | - |
| Environmental Services Management Total | 34,315 | - | - | - | - | - | - | - | - | - |
| Family Support Services | | | | | | | | | | |
| Connect 5 | | | | | | | | | | |
| Connect 5 Capital - Purchase of Vehicle | 17,784 | - | 18,673 | - | 19,562 | - | 20,540 | - | 21,567 | - |
| Connect 5 Total | 17,784 | - | 18,673 | - | 19,562 | - | 20,540 | - | 21,567 | - |
| Family Day Care | | | | | | | | | | |
| FDC Replacement of Vehicle | - | - | 9,500 | - | 10,000 | - | 10,500 | - | 11,025 | - |
| Family Day Care Total | - | - | 9,500 | - | 10,000 | - | 10,500 | - | 11,025 | - |
| Family Support Services Total | 17,784 | - | 28,173 | - | 29,562 | - | 31,040 | - | 32,592 | - |

Warrumbungle Shire Council – Long Term Financial Plan

| Description | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Warrumbungle Community Care | | | | | | | | | | |
| Community Transport | | | | | | | | | | |
| Community Transport Capital | 166,366 | 75,000 | 90,000 | 80,000 | 80,000 | 80,000 | 80,000 | 90,000 | 90,000 | 100,000 |
| Community Transport Total | 166,366 | 75,000 | 90,000 | 80,000 | 80,000 | 80,000 | 80,000 | 90,000 | 90,000 | 100,000 |
| Multiservice Outlet | | | | | | | | | | |
| MSO Capital Replacements | 2,975 | 5,000 | 45,000 | 10,000 | 7,000 | 45,000 | 10,000 | 45,000 | 10,000 | 45,000 |
| Multiservice Outlet Total | 2,975 | 5,000 | 45,000 | 10,000 | 7,000 | 45,000 | 10,000 | 45,000 | 10,000 | 45,000 |
| Warrumbungle Community Care Total | 169,341 | 80,000 | 135,000 | 90,000 | 87,000 | 125,000 | 90,000 | 135,000 | 100,000 | 145,000 |
| Yuluwirri Kids | | | | | | | | | | |
| Yuluwirri Kids Building Extension | - | - | 870,000 | - | - | - | - | - | - | - |
| Yuluwirri Kids Total | - | - | 870,000 | - | - | - | - | - | - | - |
| ENVIRONMENTAL AND COMMUNITY SERVICES TOTAL | 348,440 | 80,000 | 1,033,173 | 90,000 | 116,562 | 125,000 | 121,040 | 135,000 | 132,592 | 145,000 |
| EXECUTIVE SERVICES | | | | | | | | | | |
| General Manager | | | | | | | | | | |
| Coona Admin (Crane) Building | 2,411,539 | - | - | - | - | - | - | - | - | - |
| New Office Fittings - Admin Building | 143,000 | - | - | - | - | - | - | - | - | - |
| General Manager Total | 2,554,539 | - | - | - | - | - | - | - | - | - |
| Human Resources | | | | | | | | | | |
| HR CIVICA Software Package | 12,350 | - | - | - | - | - | - | - | - | - |
| Human Resources Total | 12,350 | - | - | - | - | - | - | - | - | - |
| EXECUTIVE SERVICES TOTAL | 2,566,889 | - | - | - | - | - | - | - | - | - |
| TECHNICAL SERVICES | | | | | | | | | | |
| Asset Design Services | | | | | | | | | | |
| Design Services Management | | | | | | | | | | |
| Design Projects Survey Equip-Cap | 1,058 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 14,000 | 14,000 | 14,000 | 18,000 |
| Design Services Software Upgrade | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 20,000 | 20,000 | 20,000 | 25,000 |
| Design Services Total | 19,058 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 34,000 | 34,000 | 34,000 | 43,000 |
| Fleet Services | | | | | | | | | | |
| Plant and Equipment | | | | | | | | | | |
| Minor Plant Purchases | 47,261 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Plant & Equipment Purchases | 2,614,000 | 2,250,000 | 2,485,000 | 2,465,000 | 2,270,000 | 3,110,000 | 2,970,000 | 2,590,000 | 2,210,000 | 2,275,000 |
| Radio Network | 15,000 | - | - | - | - | - | - | - | - | - |
| Plant and Equipment Total | 2,676,261 | 2,265,000 | 2,500,000 | 2,480,000 | 2,285,000 | 3,125,000 | 2,990,000 | 2,610,000 | 2,230,000 | 2,295,000 |
| Workshops | | | | | | | | | | |
| Coolah Workshop Capital | 10,000 | - | - | - | - | - | - | - | - | - |
| Coonabarabran Workshop Capital | 5,000 | - | - | - | - | - | - | - | - | - |
| Workshops Total | 15,000 | - | - | - | - | - | - | - | - | - |
| Fleet Services Total | 2,691,261 | 2,265,000 | 2,500,000 | 2,480,000 | 2,285,000 | 3,125,000 | 2,990,000 | 2,610,000 | 2,230,000 | 2,295,000 |

Warrumbungle Shire Council – Long Term Financial Plan

| Description | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Road Contracts and Private Works | | | | | | | | | | |
| Reseals | | | | | | | | | | |
| Baradine Streets Reseals | 16,800 | 17,200 | 17,700 | 18,100 | 18,500 | 18,963 | 19,437 | 19,923 | 20,421 | 20,932 |
| Binnaway Streets Reseals | 15,000 | 15,400 | 15,800 | 16,200 | 16,600 | 17,015 | 17,440 | 17,876 | 18,323 | 18,781 |
| Coolah Streets Reseals | 25,000 | 25,600 | 26,300 | 26,900 | 27,600 | 28,290 | 28,997 | 29,722 | 30,465 | 31,227 |
| Coonabarabran Streets Reseals | 80,000 | 82,000 | 84,100 | 86,200 | 88,300 | 90,508 | 92,771 | 95,090 | 97,467 | 99,904 |
| Dunedoo Streets Reseals | 22,500 | 23,100 | 23,600 | 24,200 | 24,800 | 25,420 | 26,056 | 26,707 | 27,375 | 28,059 |
| Local Roads Reseals | 410,000 | 420,300 | 430,800 | 441,500 | 452,600 | 463,915 | 475,513 | 487,401 | 499,586 | 512,076 |
| Mendooran Streets Reseals | 15,000 | 15,400 | 15,800 | 16,200 | 16,600 | 17,015 | 17,440 | 17,876 | 18,323 | 18,781 |
| Regional Roads Reseals | 420,000 | 430,500 | 441,300 | 452,300 | 463,600 | 475,190 | 487,070 | 499,247 | 511,728 | 524,521 |
| Road Contracts (Reseals) Total | 1,004,300 | 1,029,500 | 1,055,400 | 1,081,600 | 1,108,600 | 1,136,316 | 1,164,724 | 1,193,842 | 1,223,688 | 1,254,281 |
| Road Operations | | | | | | | | | | |
| Aerodromes | | | | | | | | | | |
| Coonabarabran Aerodrome Capital | 7,902 | - | - | - | - | - | - | - | - | - |
| Aerodromes Total | 7,902 | - | - | - | - | - | - | - | - | - |
| Local Roads | | | | | | | | | | |
| Aerodrome Baradine | - | 250,000 | - | - | - | - | - | - | - | - |
| Angus Road | - | - | - | - | - | - | - | 59,400 | - | - |
| Piambra Rd | 200,000 | - | - | - | - | - | - | - | - | - |
| Digilah Rd | 210,180 | - | - | - | - | - | - | - | - | - |
| Gentle Annie | 395,082 | - | - | - | - | - | - | - | - | - |
| Local Roads Bridges LIRS | 2,445,632 | - | - | - | - | - | - | - | - | - |
| Premier Estate Rd Causeway | 38,300 | - | - | - | - | - | - | - | - | - |
| Lawson Park Road | 150,000 | - | - | - | - | - | - | - | - | - |
| Karrajong Rd - Seal | 86,000 | - | - | - | - | - | - | - | - | - |
| Morrisseys Rd Project | 87,986 | - | - | - | - | - | - | - | - | - |
| Local Roads Resheeting | 765,000 | - | - | - | - | - | - | - | - | - |
| R2R Programme | 182,757 | - | - | - | - | - | - | - | - | - |
| Baradine Creek Bridge | - | 1,500,000 | - | - | - | - | - | - | - | - |
| Black Gully Bridge | - | - | 200,000 | - | - | - | - | - | - | - |
| Borambitty Road - Crest | - | 25,000 | - | - | - | - | - | 59,400 | - | - |
| Box Ridge Road - Replace Causeway | - | - | 52,500 | - | - | - | - | - | - | - |
| Coolah Creek Rd Rehabilitation | - | 110,000 | - | 110,000 | - | - | - | - | 120,000 | 120,000 |
| Coolah Neilrex Rd. Realignment | - | - | - | 47,300 | - | - | - | - | - | - |
| Coolah Neilrex Road Rehabilitation | - | - | - | - | - | 110,000 | 120,000 | 120,000 | - | - |
| Coonagoony Bridge | - | - | 200,000 | - | - | - | - | - | - | - |
| Dandry Road | 7,077 | - | - | - | - | - | 58,000 | - | - | - |
| Flags Rockedgial Road | - | - | - | - | 55,200 | - | - | - | 60,900 | - |
| Kenebri Bridge | - | 600,000 | - | - | - | - | - | - | - | - |
| Local Roads Resheeting | - | 765,000 | 784,125 | 803,728 | 823,821 | 865,500 | 887,200 | 909,300 | 932,100 | 955,400 |
| Napier Lane Seal | 150,000 | - | - | - | - | 56,600 | - | - | - | - |

Warrumbungle Shire Council – Long Term Financial Plan

| Description | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| New Bridge over Merrygoen Ck at Digilah Station | - | - | - | - | - | - | - | - | 121,800 | 124,900 |
| Orana Road - Coolaburragundy River crossing | - | - | - | - | - | 200,000 | 200,000 | - | - | - |
| Road safety black spots | - | - | - | - | - | 50,900 | 52,200 | 53,500 | 54,800 | 56,200 |
| Ross Crossing | - | - | - | 400,000 | - | - | - | - | - | - |
| Rotherwood Rd Rehabilitation | - | - | - | - | - | 110,000 | - | - | - | 120,000 |
| Tongy Lane Rehabilitation | - | - | - | - | - | - | - | - | 120,000 | - |
| Warkton Bridge | - | - | 120,000 | - | - | - | - | - | - | - |
| Wool Rd Rehabilitation | 124,907 | - | - | - | 110,000 | - | 120,000 | 120,000 | - | - |
| Wyuna Road - Causeway | - | - | - | - | 49,700 | - | - | - | - | - |
| Local Roads Total | 4,842,921 | 3,250,000 | 1,356,625 | 1,361,028 | 1,038,721 | 1,393,000 | 1,437,400 | 1,321,600 | 1,409,600 | 1,376,500 |
| Regional Roads | | | | | | | | | | |
| Deadman's Gully | 48,222 | - | - | - | - | - | - | - | - | - |
| MR 129 - Saltwater Creek Bridge | 1,200,000 | - | - | - | - | - | - | - | - | - |
| MR 129 - Pavement Rehabilitation | - | 169,000 | - | - | 169,000 | - | - | - | - | - |
| MR7519 Capital Works | 169,000 | - | - | 169,000 | - | - | - | 169,000 | - | - |
| Pavement widening and rehabilitation MR55 (Black Stump Way) | - | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 |
| Shoulder widening MR129 - Baradine Road (Coonamble) | - | - | - | - | - | - | 169,000 | - | 169,000 | - |
| Shoulder widening MR396 | - | - | 169,000 | - | - | 169,000 | - | - | - | 169,000 |
| Regional Roads Total | 1,417,222 | 969,000 | 969,000 | 969,000 | 969,000 | 969,000 | 969,000 | 969,000 | 969,000 | 969,000 |
| Road Operations Total | 6,268,045 | 4,219,000 | 2,325,625 | 2,330,028 | 2,007,721 | 2,362,000 | 2,406,400 | 2,290,600 | 2,378,600 | 2,345,500 |
| Urban Services | | | | | | | | | | |
| Horticulture | | | | | | | | | | |
| Baradine Parks Capital Project | 99,334 | - | - | - | - | - | - | - | - | - |
| Baradine Street Trees | 11,717 | - | - | - | - | - | - | - | - | - |
| Binnaway Progress Association | - | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Electric BBQ & shelter in Bell Park | - | - | - | 18,000 | - | - | - | - | - | - |
| Lions Park - Electric BBQ and shelter | - | - | - | 18,000 | - | - | - | - | - | - |
| Masters Park - Irrigation | - | - | 25,000 | - | - | - | - | - | - | - |
| Jorrock Park - table & shelter and water supply | - | - | - | 15,000 | - | - | - | - | - | - |
| Leadville Park - Replace Tables/Seat | 1,332 | - | - | - | - | - | - | - | - | - |
| McMaster Park - Repairs Toilet Facia | 2,000 | - | - | - | - | - | - | - | - | - |
| Mendooran Park Toilets | - | 35,000 | - | - | - | - | - | - | - | - |
| Milling Park - Irrigation | 5,000 | - | - | - | - | - | - | - | - | - |
| Milling Park - Toilet Block | - | 50,000 | 50,000 | - | - | - | - | - | - | - |
| Milling Park - Upgrade playground equipment | - | 70,000 | - | - | - | - | - | - | - | - |
| Neilson Park Erosion Control | 37,536 | - | - | - | - | - | - | - | - | - |
| Playground Equipment Renewal | - | - | - | - | - | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Streets Trees General Capital | 13,666 | - | - | - | - | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Horticulture Total | 170,585 | 160,000 | 80,000 | 56,000 | 5,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 |

Warrumbungle Shire Council – Long Term Financial Plan

| Description | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--|----------------|----------------|----------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|
| Ovals | | | | | | | | | | |
| Robertson Oval Project | 26,000 | - | - | - | - | - | - | - | - | - |
| Baradine Oval Capital | 15,000 | - | - | - | - | - | - | - | - | - |
| Mendooran Oval Project | 15,945 | - | - | - | - | - | - | - | - | - |
| Bowen Oval re-development | 25,000 | - | - | - | - | - | - | - | - | - |
| Robertson Oval Capital Projects | 57,000 | - | - | - | - | - | - | - | - | - |
| Bowen Oval - Turf wicket | - | 8,000 | - | - | - | - | - | - | - | - |
| Grandstand/Oval Capital Renewal | - | - | - | - | - | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Oval Grandstand rehabilitation - Baradine | - | 40,000 | - | - | - | - | - | - | - | - |
| Oval Grandstand Rehabilitation - Binnaway | - | 47,000 | - | - | - | - | - | - | - | - |
| Ovals Total | 138,945 | 95,000 | - | - | - | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Public Swimming Pools | | | | | | | | | | |
| Coona Pool - Concrete repairs | - | 20,000 | 15,000 | 15,000 | 15,000 | 15,000 | - | - | - | - |
| Coona Pool - Non Recurrent | 25,000 | - | - | - | - | - | - | - | - | - |
| Baradine Pool - Leak prevention and general painting | - | 40,000 | - | - | - | - | - | - | - | - |
| Coolah Pool - Pool Cover | - | 12,000 | - | - | - | - | - | - | - | - |
| Pools - Other Renewal | - | - | - | - | - | - | 20,000 | 20,000 | 20,000 | 20,000 |
| Dunedoo Main Pool - Replace Grouting | - | - | 27,000 | - | - | - | - | - | - | - |
| Baradine Pool - Non Recurrent | 86,000 | - | - | - | - | - | - | - | - | - |
| Baradine Pool - Shade Shelter | - | - | 23,000 | - | - | - | - | - | - | - |
| Public Swimming Pools Total | 111,000 | 72,000 | 65,000 | 15,000 | 15,000 | 15,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Town Streets - Baradine | | | | | | | | | | |
| Baradine Streets - Streetlighting | 8,000 | - | - | - | - | 8,000 | - | - | - | - |
| Castlereagh Street, Narren to Darling, new K&G | - | - | 60,000 | - | - | - | - | - | - | - |
| Flood Plain Management | 1,366 | 120,000 | - | - | - | - | - | - | - | - |
| Kerb and Guttering | - | - | - | - | - | - | 50,000 | 50,000 | 60,000 | 60,000 |
| Kerb and Guttering Bligh Street between Narren and Darling | - | - | 50,000 | - | - | 50,000 | - | - | - | - |
| Kerb and Guttering Bligh Street between Narren and Liverpool | - | - | - | - | - | 50,000 | - | - | - | - |
| Kerb and guttering in Narren Street south of Macquarie Street | - | - | - | 50,000 | - | - | - | - | - | - |
| Kerb and Guttering Lachlan Street, btwn Narren & Liverpool (north and south) | - | - | - | - | 50,000 | - | - | - | - | - |
| Liverpool Street Seal | - | - | 25,000 | 25,000 | - | - | - | - | - | - |
| Rehabilitation of footpath sections | 5,000 | 10,300 | 10,000 | 10,000 | 10,000 | 10,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Walker Street, West of Narren (bowling Club), new K&G | - | 30,000 | - | - | - | - | - | - | - | - |
| Town Streets - Baradine Total | 14,366 | 160,300 | 145,000 | 85,000 | 60,000 | 118,000 | 65,000 | 65,000 | 75,000 | 75,000 |

Warrumbungle Shire Council – Long Term Financial Plan

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|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Town Streets - Binnaway | | | | | | | | | | |
| Binnaway Streets-Progress Association | 5,000 | - | - | - | - | - | - | - | - | - |
| Bullinda Street K&G | - | - | - | - | - | 35,000 | 40,000 | 40,000 | 50,000 | 50,000 |
| Castlereagh Av - 42m (link) - Drainage | - | - | 20,000 | - | - | - | - | - | - | - |
| Corry Bridge Western Approach | - | - | 40,000 | 40,000 | 40,000 | - | - | - | - | - |
| David Street, new K&G | - | 60,000 | - | - | - | - | - | - | - | - |
| Footpath Rehabilitation | - | - | 5,000 | 5,000 | 5,000 | 5,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Intersection Renshaw Street and Bullinda Street - "Dip" Traffic Calming | - | - | 8,000 | - | - | - | - | - | - | - |
| Railway Street (Napier St to Renshaw St - 240m) - link - Drainage | - | - | - | 35,000 | 35,000 | - | - | - | - | - |
| Town Streets - Binnaway Total | 5,000 | 60,000 | 73,000 | 80,000 | 80,000 | 40,000 | 50,000 | 50,000 | 60,000 | 60,000 |
| Town Streets - Coolah | | | | | | | | | | |
| Binnia Street,new kerb blisters and K&G rehab | 46,581 | 46,000 | - | - | - | - | - | - | - | - |
| Coolah Cycleway Project - Capital | 60,000 | - | - | - | - | - | - | - | - | - |
| Campbell St Footpath | 48,287 | - | - | - | - | - | - | - | - | - |
| Binnia/Booyamurra, Binnia/Campbell - intersection treatment. | - | - | 70,000 | - | - | - | - | - | - | - |
| Booyamurra Street, east of Binnia, rehabilitation | - | 110,000 | - | - | - | - | - | - | - | - |
| Footpath Rehabilitation - various locations | - | 20,000 | 15,000 | 15,000 | 15,000 | 15,000 | 20,000 | 20,000 | 30,000 | 30,000 |
| Pipe Drainage (location to be confirmed) | - | - | 40,000 | 40,000 | 40,000 | 40,000 | - | - | - | - |
| Skate Park | - | - | - | - | - | - | 50,000 | - | - | - |
| Streetlight | - | - | - | - | - | - | - | - | - | 10,000 |
| Urban Drainage Project - Booyamurra St. | - | - | - | - | - | - | 100,000 | 100,000 | 100,000 | 100,000 |
| Town Streets - Coolah Total | 154,868 | 176,000 | 125,000 | 55,000 | 55,000 | 55,000 | 170,000 | 120,000 | 130,000 | 140,000 |
| Town Streets - Coonabarabran | | | | | | | | | | |
| Belar Street Drainage Pipe & K&G | - | - | 45,000 | - | - | - | - | - | - | - |
| Cassilis Street footpath - Admin building | 137,772 | - | - | - | - | - | - | - | - | - |
| Cassilis Street, Robertson to Namoi, new footpath | - | - | - | - | - | 40,000 | - | - | - | - |
| Cowper Street, concreting of open channel | - | - | - | 60,000 | 50,000 | - | - | - | - | - |
| Crane Street Rehabilitation | - | - | - | - | 60,000 | 60,000 | 60,000 | - | - | - |
| Dalgarno Street drainage | 160,567 | - | - | - | - | - | - | - | - | - |
| Dalgarno Street (John - Charles) rehabilitation | - | - | 20,000 | 20,000 | 20,000 | 20,000 | - | - | - | - |
| Dalgarno Street, east of John Street, Footpath Rehabilitation | - | 45,000 | - | - | - | - | - | - | - | - |
| Dalgarno Street, west of John Street, K&G Rehabilitation | - | 70,000 | - | - | 60,000 | 60,000 | - | - | - | - |
| Dows Lane | - | - | 40,000 | 40,000 | - | - | - | - | - | - |
| Edwards Street footpath | 68,612 | - | - | - | - | - | - | - | - | - |
| Extension of Pipe Drainage in easement at the rear of No 8 Cowper Street | - | - | - | - | - | - | - | 200,000 | 200,000 | - |

Warrumbungle Shire Council – Long Term Financial Plan

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|---|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Footpath Rehabilitation | - | - | - | - | - | 25,000 | 25,000 | 30,000 | 30,000 | 35,000 |
| K&G Rehab. - John Street(Edwards St. to Cassilis St), west side | - | - | 60,000 | 60,000 | - | - | - | - | - | - |
| Namoi Street K&G | - | - | - | - | 60,000 | - | - | - | - | - |
| New Road - eastern side of High School | - | - | - | - | - | 100,000 | 300,000 | - | - | - |
| Newell Highway - Cycleway | - | 120,000 | - | - | - | - | - | - | - | - |
| Old Common | 22,311 | - | - | - | - | - | - | - | - | - |
| Street light program | - | - | - | - | 8,000 | - | - | - | - | - |
| Street seats | 15,000 | - | - | - | - | - | - | - | - | - |
| Town Streets - Coonabarabran Total | 404,262 | 235,000 | 165,000 | 180,000 | 258,000 | 305,000 | 385,000 | 230,000 | 230,000 | 35,000 |
| Town Streets - Dunedoo | | | | | | | | | | |
| Bullinda St (Wallaroo St - Wargundy St) north side | - | - | - | 50,000 | - | - | - | - | - | 20,000 |
| Bullinda St at Caigan, east side | - | - | - | - | - | - | - | - | 20,000 | - |
| Caigan Street (Bolaro to Digilah - East side) | - | - | - | - | - | 60,000 | - | - | - | - |
| Caigan Street (Cobborah to Tucklan, east side) | - | - | - | - | - | - | 60,000 | - | - | - |
| Caigan Street (Tucklan to Yarrow, east side) | - | - | - | - | - | - | - | 60,000 | - | - |
| Dish drain, Tucklan Street at Wallaroo, west side | 18,000 | 22,000 | - | - | - | - | - | - | - | - |
| Footpath Rehabilitation - various locations | - | 20,000 | 10,000 | 10,000 | 10,000 | 10,000 | 15,000 | 15,000 | 20,000 | 20,000 |
| Kerb and Guttering Construction | - | - | - | - | - | - | - | - | - | 65,000 |
| Merrygoen St (Yarrow St - Bullinda St),(carriage, 10.4m, trees on footpath) | - | - | - | - | - | - | 35,000 | 35,000 | - | - |
| Streetlight | - | - | - | - | - | - | - | 10,000 | - | - |
| Talbragar St (Wallaroo St - Tallwang St)(carriage,10.4m, trees on footpath) | - | - | - | - | - | - | 55,000 | - | - | - |
| Talbragar Street (Bandulla to Caigan - north side) | - | - | - | - | - | 55,000 | - | - | - | - |
| Underground Pipe drainage Wargundy Street | - | - | 60,000 | - | - | - | - | - | - | - |
| Wallaroo Construction | 150,000 | - | - | - | - | - | - | - | - | - |
| Wargundy St (Bullinda St - Yarrow St) west side | - | - | - | - | 55,000 | - | - | - | - | - |
| Yarrow St at Bandulla, north side | - | - | 18,000 | - | - | - | - | - | - | - |
| Yarrow St at Bandulla, south side | - | - | - | - | 18,000 | - | - | - | - | - |
| Yarrow Street (Wallaroo St - Wargundy St) north side | - | - | - | 50,000 | - | - | - | - | - | - |
| Town Streets - Dunedoo Total | 168,000 | 42,000 | 88,000 | 110,000 | 83,000 | 125,000 | 165,000 | 120,000 | 40,000 | 105,000 |
| Town Streets - Mendooran | | | | | | | | | | |
| Abbott St Pavement - Mendooran | 19,185 | - | - | - | - | - | - | - | - | - |
| Bandulla St Traffic Calming/Rehabilitation | - | - | - | - | - | - | - | - | - | - |
| Benewa St Sealing - Mendooran | 35,936 | - | - | - | - | - | - | - | - | - |
| Footpath Rehabilitation | - | 15,000 | 10,000 | 10,000 | 10,000 | 10,000 | 15,000 | 15,000 | 15,000 | 20,000 |
| Town Streets - Mendooran Total | 55,121 | 15,000 | 10,000 | 10,000 | 10,000 | 10,000 | 15,000 | 15,000 | 15,000 | 20,000 |
| Urban Services Total | 1,222,147 | 1,015,300 | 751,000 | 591,000 | 566,000 | 733,000 | 935,000 | 685,000 | 635,000 | 520,000 |
| TECHNICAL SERVICES TOTAL | 11,204,811 | 8,558,800 | 6,662,025 | 6,512,628 | 5,997,321 | 7,386,316 | 7,530,124 | 6,813,442 | 6,501,288 | 6,457,781 |

Warrumbungle Shire Council – Long Term Financial Plan

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|---|----------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|
| WARRUMBUNGLE WATER | | | | | | | | | | |
| Water - Baradine | | | | | | | | | | |
| Mains Extension - Removal of Dead Ends | - | - | - | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Mains Replacement | - | - | - | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Meter Replacements | - | 5,000 | 5,000 | 5,000 | - | - | - | - | - | - |
| Reservoir- Rehabilitation | - | - | 50,000 | - | - | - | - | - | - | - |
| Water Fluoridation | 4,750 | - | - | - | - | - | - | - | - | - |
| Water Treatment Plant- Backup Pump | 10,616 | - | - | - | - | - | - | - | - | - |
| Water Treatment Plant- Building Renovation | - | 50,000 | - | - | - | - | - | - | - | - |
| Water Treatment Plant- Improvements | - | - | 40,000 | 30,000 | - | 30,000 | - | 30,000 | - | 30,000 |
| Water Treatment Plant - Rehabilitation of Clarifier | - | 95,000 | - | - | - | - | - | - | - | - |
| Water Treatment Plant - WHS Improvements | 4,950 | - | - | - | - | - | - | - | - | - |
| Water - Baradine Total | 20,316 | 150,000 | 95,000 | 110,000 | 75,000 | 105,000 | 75,000 | 105,000 | 75,000 | 105,000 |
| Water - Binnaway | | | | | | | | | | |
| Mains Replacement | 58,113 | - | - | 80,000 | 70,000 | 80,000 | - | - | - | - |
| Mains Replacement - Napier St 420m | - | 60,000 | - | - | - | - | 60,000 | - | 60,000 | - |
| Mains Replacement-David & Railway Sts, 570m | - | - | 80,000 | - | - | - | - | - | - | - |
| Meter Replacements | - | 5,000 | 5,000 | - | - | - | - | - | - | - |
| Telemetry Software & Tools | 10,624 | - | - | - | - | - | - | - | - | - |
| Water Fluoridation | 13,636 | - | - | - | - | - | - | - | - | - |
| Water Treatment Plant- Lagoon rehabilitation | - | - | - | - | - | - | - | - | 50,000 | 50,000 |
| Water Treatment Plant- Renewals | - | - | 20,000 | - | 25,000 | 10,000 | - | 25,000 | - | 25,000 |
| Water - Binnaway Total | 82,373 | 65,000 | 105,000 | 80,000 | 95,000 | 90,000 | 60,000 | 25,000 | 110,000 | 75,000 |
| Water - Coolah | | | | | | | | | | |
| Coolah Water Reservoirs Capital | - | - | - | - | 30,000 | 30,000 | - | - | - | - |
| Mains Extension - removal of dead ends | - | 50,000 | 40,000 | 40,000 | 40,000 | 40,000 | 46,400 | 47,500 | 48,700 | 50,000 |
| Mains Replacement Martin St | 10,000 | - | - | - | - | - | - | - | - | - |
| Mains Replacement Gilmore St | 73,406 | - | - | 30,000 | 30,000 | 30,000 | 34,800 | 35,700 | 36,600 | 37,500 |
| Meter Replacements | - | 5,000 | 5,000 | 5,000 | 5,000 | - | - | - | - | - |
| Reservoir Lining - Wentworth Street | 12,785 | - | - | - | - | - | - | - | - | - |
| Water Fluoridation | 5,811 | - | - | - | - | - | - | - | - | - |
| Water Treatment-Sodium Hypochlorite Pump Standby | - | - | 5,000 | 5,000 | 5,000 | - | - | - | - | - |
| Water - Coolah Total | 102,002 | 55,000 | 50,000 | 80,000 | 110,000 | 100,000 | 81,200 | 83,200 | 85,300 | 87,500 |
| Water - Coonabarabran | | | | | | | | | | |
| Main Extension - Removal of Dead Ends | - | - | - | 60,000 | 60,000 | 60,000 | 58,000 | 59,400 | 60,900 | 62,400 |
| Mains Extensions | - | - | - | - | - | - | - | 75,000 | 75,000 | 75,000 |
| Mains Extensions (removal dead ends) - Arnold St, btwn Newell Hwy and Gunnedah Hill | - | - | 100,000 | - | - | - | - | - | - | - |

Warrumbungle Shire Council – Long Term Financial Plan

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|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Mains Extensions (removal dead ends) - Robertson and John st (230m) | 872 | 60,000 | - | - | - | - | - | - | - | - |
| Mains Extensions (removal dead ends) -Jubilee St, btwn Newell Hwy and Gunnedah Hill | - | 100,000 | - | - | - | - | - | - | - | - |
| Mains Extension-Under Highway between Council depot & former Caltex site | - | - | 60,000 | - | - | - | - | - | - | - |
| Mains - New 09/10 | 15,391 | - | - | - | - | - | - | - | - | - |
| Mains Replacement | - | 70,000 | 70,000 | 70,000 | 70,000 | 50,000 | - | 50,000 | - | 50,000 |
| Mains Replacement - Dalgarno Street | 60,000 | - | - | - | - | - | - | - | - | - |
| Meter Replacements | - | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | - | - | - | - |
| Reservoir Fencing | 5,000 | - | - | - | - | - | - | - | - | - |
| Rising Main - 200m sections-replacement | 2,330 | - | - | - | - | - | 100,000 | - | - | - |
| Telemetry Software - Coona | 3,190 | - | 3,000 | 3,000 | 3,000 | 3,000 | - | - | - | - |
| Tools - Coona Water | - | - | 3,000 | 3,000 | 3,000 | 3,000 | - | - | - | - |
| Water Fluoridation | 4,180 | - | - | - | - | - | - | - | - | - |
| Water Treatment Plant Upgrades | - | - | - | - | - | - | - | 40,000 | - | 40,000 |
| Water - Coonabarabran Total | 90,963 | 240,000 | 246,000 | 146,000 | 146,000 | 126,000 | 158,000 | 224,400 | 135,900 | 227,400 |
| Water - Dunedoo | | | | | | | | | | |
| Backup Bore Development and Improvement | 220,000 | - | - | - | - | - | - | - | - | - |
| Dunedoo W Minor Plant & Equip | - | - | 3,000 | 3,000 | 3,000 | - | - | - | - | - |
| Mains Extension | - | - | - | - | 50,000 | 50,000 | 60,000 | 60,000 | 60,000 | 60,000 |
| Mains Extension-Evans St, between Sullivan St and Nott St (430m) | - | - | - | 50,000 | - | - | - | - | - | - |
| Mains Replacement | 20,132 | - | 50,000 | 50,000 | 50,000 | 50,000 | 35,000 | - | 35,000 | - |
| Mains Replacement - Bolaro St, Tallawang St to Merrygoen St (210m) | - | 60,000 | - | - | - | - | 35,000 | - | 35,000 | - |
| Mains Replacement-Wargundy St, between Bolaro and Bullinda St (660m) | - | 50,000 | - | - | - | - | - | - | - | - |
| Meter Replacements | - | 5,000 | - | - | - | - | - | - | - | - |
| Reservoirs Rehabilitation | - | 61,000 | 30,000 | 30,000 | - | 20,000 | - | - | - | - |
| Water Treatment- Hypochlorite dosing | - | - | 20,000 | - | - | - | - | - | - | - |
| Water - Dunedoo Total | 240,132 | 176,000 | 103,000 | 133,000 | 103,000 | 120,000 | 130,000 | 60,000 | 130,000 | 60,000 |
| Water - Mendooran | | | | | | | | | | |
| Mains Extension | - | - | 30,000 | 30,000 | 30,000 | - | - | - | - | - |
| Merrygoen Creek Main Replacement | - | - | - | - | - | 40,000 | - | - | - | - |
| Meter Replacements | - | 5,000 | 5,000 | 5,000 | - | - | - | - | - | - |
| Raw water pumping station - well renewal | - | - | - | - | - | - | - | - | - | - |
| Reservoir Rehabilitation | 27,191 | - | - | - | - | - | - | - | - | - |
| Water Fluoridation | 5,298 | - | - | - | - | - | - | - | - | - |

Warrumbungle Shire Council – Long Term Financial Plan

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|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Water Pressure Project | - | 30,000 | - | - | - | - | - | - | - | - |
| WTP Upgrades | - | - | - | - | - | - | 20,000 | - | 20,000 | - |
| Water - Mendooran Total | 32,489 | 35,000 | 35,000 | 35,000 | 30,000 | 40,000 | 20,000 | - | 20,000 | - |
| Water - Merrygoen | | | | | | | | | | |
| Main Replacement- Merrygoen Creek to Reservoir | - | - | - | - | - | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Raw water pumping station renewal | - | - | - | - | - | - | - | 50,000 | - | - |
| Water - Merrygoen Total | - | - | - | - | - | 50,000 | 50,000 | 100,000 | 50,000 | 50,000 |
| WARRUMBUNGLE WATER TOTAL | 568,275 | 721,000 | 634,000 | 584,000 | 559,000 | 631,000 | 574,200 | 597,600 | 606,200 | 604,900 |
| WARRUMBUNGLE SEWER | | | | | | | | | | |
| Sewer - Baradine | | | | | | | | | | |
| Effluent Reuse - Pivot Irrigator replacement | - | - | - | - | - | 200,000 | - | - | - | - |
| Sewage Treatment Plant - Renewals | - | - | - | - | - | - | - | 20,000 | - | 20,000 |
| Sewage Treatment Plant - Disinfection Plant renewal | - | 10,000 | 10,000 | 10,000 | 10,000 | - | - | - | - | 150,000 |
| Sewage Treatment Plant - Vacuum pumps renewal | - | - | - | - | - | 30,000 | 35,000 | - | - | - |
| Sewer - Baradine Total | - | 10,000 | 10,000 | 10,000 | 10,000 | 230,000 | 35,000 | 20,000 | - | 170,000 |
| Sewer - Binnaway | | | | | | | | | | |
| Feasibility Investigation | 50,000 | - | - | - | - | - | - | - | - | - |
| Sewer - Binnaway Total | 50,000 | - | - | - | - | - | - | - | - | - |
| Sewer - Coolah | | | | | | | | | | |
| Effluent reuse pumps renewal | - | - | - | - | - | - | - | - | 35,000 | - |
| Mains Replacement/Rehab | - | - | 100,000 | 100,000 | 50,000 | - | - | - | 50,000 | - |
| Mains-Smoke testing | - | - | - | - | - | - | - | - | - | - |
| Sewage Pumping Station renewal | - | - | - | - | - | - | - | - | 60,000 | - |
| Sewage Treatment Plant - rehabilitation and upgrades | - | 25,000 | 50,000 | - | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Sewer - Coolah Total | - | 25,000 | 150,000 | 100,000 | 100,000 | 50,000 | 50,000 | 50,000 | 195,000 | 50,000 |
| Sewer - Coonabarabran | | | | | | | | | | |
| Mains - Relining various sections | - | 130,000 | 130,000 | 100,000 | 100,000 | 100,000 | 110,000 | 110,000 | 125,000 | 125,000 |
| Mains - Smoke testing - Area 2 | - | - | - | - | - | - | - | - | - | - |
| Pump stations renewal | - | - | - | 60,000 | 30,000 | 30,000 | 40,000 | - | 40,000 | - |
| Sewage Treatment Plant Improvements | - | - | - | - | 50,000 | 50,000 | - | - | - | - |
| Sewage Treatment Works – Mechanical / electrical renewals | - | - | - | - | - | - | 250,000 | - | - | - |
| Sewage Treatment Works - UV disinfection plant renewal | - | - | - | - | - | - | - | - | - | - |
| Sewer Access Dump Points | 2,500 | - | - | - | - | - | - | - | - | - |
| Sewer Pump No. 2 replacement | 20,000 | - | - | - | - | - | - | - | - | - |
| Steel sewer rods replacement | - | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | - | - | - | - |
| Sewer - Coonabarabran Total | 22,500 | 133,000 | 133,000 | 163,000 | 183,000 | 183,000 | 400,000 | 110,000 | 165,000 | 125,000 |
| Sewer - Dunedoo | | | | | | | | | | |
| Mains - Relining various sections | - | - | 50,000 | - | - | - | - | - | 25,000 | - |

Warrumbungle Shire Council – Long Term Financial Plan

| Description | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Mains - Smoke testing | - | - | - | - | - | - | - | - | - | - |
| Pump Station renewal | - | - | - | - | - | 50,000 | - | - | - | - |
| Sewage Treatment Plant upgrade and renewal | - | 25,000 | - | - | - | - | - | - | - | - |
| Sewer - Dunedoo Total | - | 25,000 | 50,000 | - | - | 50,000 | - | - | 25,000 | - |
| WARRUMBUNGLE SEWER TOTAL | 72,500 | 193,000 | 343,000 | 273,000 | 293,000 | 513,000 | 485,000 | 180,000 | 385,000 | 345,000 |
| GRAND TOTAL | 15,871,247 | 10,203,758 | 9,321,442 | 7,950,353 | 7,468,376 | 9,345,337 | 9,158,886 | 8,183,277 | 8,091,246 | 8,233,002 |

Note: The 2012/13 budget uses the net trade in value for plant purchases. Final capital spend per cashflow statement is \$1.271m higher at \$17.143m.

Part 6: Assets and Liabilities

The assumptions around movements in balance sheet items are dealt with briefly in the following table:

| Balance Sheet Item | Assumptions |
|-----------------------------|---|
| Assets | |
| Cash and Cash equivalents | Changes in cash and cash equivalents balances are per the Statement of Cashflows (cashflow statement) |
| Investments | Investments are assumed to be re-invested as TDs upon maturity, which are captured under cash and cash equivalents. Details of expected returns on investments are found in Part 3.3 of the plan. |
| Receivables | Receivables have been assumed to remain at 2012/13 levels for the life of the plan |
| Inventories | Inventories have been assumed to remain at 2012/13 levels for the life of the plan |
| Infrastructure, PP&E | Changes in infrastructure, property, plant and equipment balances are as per the AMP. Details on CAPEX can be found in Part 5 of the LTFP, while further information on depreciation expenditure can be found in Part 4.4 of the plan. Information on disposals can be found in part 3.6 of the plan. Adjustments for asset revaluations use an assumed 1.5% increase per annum. A detailed asset movement schedule can be found in Part 7 of the plan. |
| Investments (Equity Method) | Investments accounted for using the equity method are assumed to decrease per recent trends for the first four years of the plan and remain constant thereafter. |
| Balance Sheet Item | Assumptions |
| Liabilities | |
| Payables | Payables have been assumed to remain at 2012/13 levels for the life of the plan |
| Borrowings | Borrowings and finance leases are paid down per current schedules, and details of current and proposed borrowings can be found in part 4.2 of the plan. |
| Provisions | Provisions have been held constant as a full actuarial assessment of movements in future employee provisions was not deemed necessary for the purpose of the LTFP. |

Part 7: Tables and Schedules (Financial Statements)

Income Statement

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Income from Continuing Operations | | | | | | | | | | |
| Rates and Annual Charges | 10,533 | 11,122 | 11,488 | 11,865 | 12,255 | 12,600 | 12,973 | 13,358 | 13,755 | 14,166 |
| User Charges and Fees | 5,120 | 6,278 | 6,648 | 7,002 | 7,253 | 7,387 | 7,570 | 7,756 | 7,945 | 8,136 |
| Interest & Investment Revenue | 998 | 1,139 | 1,087 | 1,026 | 989 | 971 | 935 | 951 | 972 | 986 |
| Other Revenues | 670 | 847 | 825 | 895 | 864 | 932 | 902 | 975 | 946 | 1,021 |
| Grants & Contributions | 16,334 | 15,198 | 16,108 | 15,569 | 15,922 | 16,304 | 16,681 | 17,066 | 17,463 | 17,868 |
| Gains/(Losses) from Disposal of Assets | 262 | 59 | 90 | 65 | 64 | 64 | 64 | 64 | 64 | 64 |
| Total Income From Continuing Operations | 33,917 | 34,643 | 36,246 | 36,422 | 37,347 | 38,258 | 39,125 | 40,170 | 41,145 | 42,241 |
| Expenses from Continuing Operations | | | | | | | | | | |
| Employee Benefits & On-Costs | 13,023 | 13,080 | 13,169 | 13,608 | 14,078 | 14,695 | 15,240 | 15,804 | 16,316 | 16,843 |
| Borrowing Costs | 226 | 504 | 466 | 426 | 384 | 339 | 292 | 243 | 191 | 136 |
| Materials & Contracts | 8,486 | 8,631 | 8,786 | 9,040 | 9,292 | 9,472 | 9,708 | 9,951 | 10,200 | 10,456 |
| Depreciation & Impairment | 10,024 | 10,275 | 10,532 | 10,795 | 11,065 | 11,341 | 11,624 | 11,913 | 12,211 | 12,514 |
| Other Expenses | 5,049 | 5,022 | 5,099 | 5,191 | 5,380 | 5,499 | 5,637 | 5,777 | 5,920 | 6,155 |
| Net Share of Interest in Joint Ventures | 37 | 37 | 37 | 37 | 37 | - | - | - | - | - |
| Total Expenditure From Continuing Operations | 36,845 | 37,549 | 38,089 | 39,097 | 40,236 | 41,346 | 42,501 | 43,688 | 44,838 | 46,104 |
| Net Operating Result for the Year | (2,928) | (2,906) | (1,843) | (2,675) | (2,889) | (3,088) | (3,376) | (3,518) | (3,693) | (3,863) |

Balance Sheet

| Assets | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Current Assets | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and Cash Equivalents | 10,234 | 10,464 | 11,380 | 13,185 | 14,019 | 12,976 | 12,071 | 12,246 | 12,588 | 12,871 |
| Investments | - | 1,334 | 1,472 | - | - | - | - | - | - | - |
| Receivables | 2,085 | 2,085 | 2,085 | 2,085 | 2,085 | 2,085 | 2,085 | 2,085 | 2,085 | 2,085 |
| Inventories | 587 | 587 | 587 | 587 | 587 | 587 | 587 | 587 | 587 | 587 |
| Total Current Assets | 12,906 | 14,470 | 15,524 | 15,857 | 16,691 | 15,648 | 14,743 | 14,918 | 15,260 | 15,543 |
| Non-Current Assets | | | | | | | | | | |
| Investments | 2,558 | 1,487 | - | - | - | - | - | - | - | - |
| Receivables | - | - | - | - | - | - | - | - | - | - |
| Inventories | 463 | 463 | 463 | 463 | 463 | 463 | 463 | 463 | 463 | 463 |
| Property, Plant & Equipment | 451,040 | 461,445 | 466,356 | 469,706 | 472,355 | 476,644 | 480,529 | 483,207 | 485,536 | 487,738 |
| Investments Equity Method | 286 | 249 | 212 | 175 | 138 | 138 | 138 | 138 | 138 | 138 |
| Total Non-Current Assets | 454,347 | 463,644 | 467,031 | 470,344 | 472,956 | 477,245 | 481,130 | 483,808 | 486,137 | 488,339 |
| Total Assets | 467,253 | 478,114 | 482,555 | 486,201 | 489,647 | 492,893 | 495,873 | 498,726 | 501,397 | 503,882 |
| Current Liabilities | | | | | | | | | | |
| Payables | 2,159 | 2,159 | 2,159 | 2,159 | 2,159 | 2,159 | 2,159 | 2,159 | 2,159 | 2,159 |
| Borrowings | 389 | 663 | 699 | 736 | 776 | 818 | 862 | 910 | 960 | 810 |
| Provisions | 3,446 | 3,446 | 3,446 | 3,446 | 3,446 | 3,446 | 3,446 | 3,446 | 3,446 | 3,446 |
| Total Current Liabilities | 5,994 | 6,268 | 6,304 | 6,341 | 6,381 | 6,423 | 6,467 | 6,515 | 6,565 | 6,415 |
| Non-Current Liabilities | | | | | | | | | | |
| Payables | - | - | - | - | - | - | - | - | - | - |
| Borrowings | 4,882 | 7,073 | 6,374 | 5,638 | 4,862 | 4,044 | 3,181 | 2,271 | 1,310 | 500 |
| Provisions | 1,316 | 1,341 | 1,366 | 1,391 | 1,416 | 1,441 | 1,466 | 1,491 | 1,516 | 1,541 |
| Total Non-Current Liabilities | 6,198 | 8,414 | 7,740 | 7,029 | 6,278 | 5,485 | 4,647 | 3,762 | 2,826 | 2,041 |
| Total Liabilities | 12,192 | 14,682 | 14,044 | 13,370 | 12,659 | 11,908 | 11,114 | 10,277 | 9,391 | 8,456 |
| Net Assets | 455,061 | 463,432 | 468,511 | 472,831 | 476,988 | 480,985 | 484,759 | 488,449 | 492,006 | 495,426 |
| Retained Earnings | 355,691 | 352,786 | 350,944 | 348,268 | 345,379 | 342,291 | 338,915 | 335,397 | 331,705 | 327,842 |
| Revaluation Reserves | 99,370 | 110,646 | 117,567 | 124,563 | 131,609 | 138,694 | 145,844 | 153,052 | 160,301 | 167,584 |
| Total Equity | 455,061 | 463,432 | 468,511 | 472,831 | 476,988 | 480,985 | 484,759 | 488,449 | 492,006 | 495,426 |

Statement of Cash Flows (Page 1 of 2)

| Cash Flows from Operating Activities | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| <u>Receipts</u> | | | | | | | | | | |
| Rates and Annual Charges | 10,998 | 11,122 | 11,488 | 11,865 | 12,255 | 12,600 | 12,973 | 13,358 | 13,755 | 14,166 |
| User Charges and Fees | 6,269 | 6,278 | 6,648 | 7,002 | 7,253 | 7,387 | 7,570 | 7,756 | 7,945 | 8,136 |
| Interest & Investment Revenue | 724 | 876 | 937 | 997 | 989 | 971 | 935 | 951 | 972 | 986 |
| Other Revenues | 1,635 | 1,781 | 1,759 | 1,829 | 1,798 | 1,866 | 1,836 | 1,909 | 1,880 | 1,955 |
| Grants & Contributions | 16,336 | 15,198 | 16,108 | 15,569 | 15,922 | 16,304 | 16,681 | 17,066 | 17,463 | 17,868 |
| <u>Payments</u> | | | | | | | | | | |
| Employee Benefits & On-Costs | (13,269) | (13,080) | (13,169) | (13,608) | (14,078) | (14,695) | (15,240) | (15,804) | (16,316) | (16,843) |
| Materials & Contracts | (8,375) | (8,630) | (8,787) | (9,039) | (9,292) | (9,472) | (9,708) | (9,951) | (10,200) | (10,456) |
| Borrowing Costs | (225) | (504) | (466) | (426) | (384) | (339) | (292) | (243) | (191) | (136) |
| Other Expenses | (5,803) | (5,931) | (6,008) | (6,100) | (6,289) | (6,408) | (6,546) | (6,686) | (6,829) | (7,064) |
| Net Cash provided (or used in) Operating Activities | 8,290 | 7,110 | 8,510 | 8,089 | 8,174 | 8,214 | 8,209 | 8,356 | 8,480 | 8,612 |
| Cash Flows from Investing Activities | | | | | | | | | | |
| <u>Receipts</u> | | | | | | | | | | |
| Sale of Investment Securities | 3,500 | - | 1,500 | 1,500 | - | - | - | - | - | - |
| Sale of Real Estate Assets | 43 | - | - | - | - | - | - | - | - | - |
| Sale of Infrastructure, PP&E | 1,271 | 859 | 890 | 865 | 864 | 864 | 864 | 864 | 864 | 864 |
| Deferred Debtors Receipts | - | - | - | - | - | - | - | - | - | - |
| <u>Payments</u> | | | | | | | | | | |
| Purchase of Investment Securities | - | - | - | - | - | - | - | - | - | - |
| Purchase of Infrastructure, PP&E | (17,143) | (10,204) | (9,321) | (7,950) | (7,468) | (9,345) | (9,159) | (8,183) | (8,091) | (8,233) |
| Purchase of Real Estate Assets | (55) | - | - | - | - | - | - | - | - | - |
| Net Cash provided (or used in) Investing Activities | (12,384) | (9,345) | (6,931) | (5,585) | (6,604) | (8,481) | (8,295) | (7,319) | (7,227) | (7,369) |

Statement of Cash Flows (Page 2 of 2)

| Cash Flows from Financing Activities | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Receipts | | | | | | | | | | |
| Proceeds from Borrowings & Advances | 3,800 | 3,100 | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | |
| Repayment of Borrowings & Advances | (210) | (630) | (663) | (699) | (736) | (776) | (819) | (862) | (911) | (960) |
| Repayment of Finance Lease Liabilities | (58) | (5) | - | - | - | - | - | - | - | - |
| Net Cash provided (or used in) Financing Activities | 3,532 | 2,465 | (663) | (699) | (736) | (776) | (819) | (862) | (911) | (960) |
| Net Increase/(Decrease) in Cash & Cash Equivalents | (562) | 230 | 916 | 1,805 | 834 | (1,043) | (905) | 175 | 342 | 283 |
| Cash & Cash Equivalents – Opening balance | 10,796 | 10,234 | 10,464 | 11,380 | 13,185 | 14,019 | 12,976 | 12,071 | 12,246 | 12,588 |
| Cash & Cash Equivalents – Closing balance | 10,234 | 10,464 | 11,380 | 13,185 | 14,019 | 12,976 | 12,071 | 12,246 | 12,588 | 12,871 |
| <i>Add:</i> | | | | | | | | | | |
| Investments | 2,558 | 2,821 | 1,472 | - | - | - | - | - | - | - |
| Total Cash, Cash Equivalents & Investments | 12,792 | 13,285 | 12,852 | 13,185 | 14,019 | 12,976 | 12,071 | 12,246 | 12,588 | 12,871 |

Asset Movement Schedule

| Asset Movement Schedule | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Opening Balance | | | | | | | | | | |
| Estimated Replacement Cost | 547,151 | 622,196 | 647,155 | 665,383 | 682,514 | 699,420 | 718,456 | 737,592 | 756,039 | 774,671 |
| Accumulated Depreciation | (105,956) | (171,156) | (185,710) | (199,028) | (212,808) | (227,065) | (241,812) | (257,063) | (272,832) | (289,136) |
| Written Down Value | 441,195 | 451,040 | 461,445 | 466,356 | 469,706 | 472,355 | 476,644 | 480,529 | 483,207 | 485,536 |
| Add/(less): | | | | | | | | | | |
| Additions | | | | | | | | | | |
| - Capital Renewal | 9,800 | 9,334 | 7,483 | 7,217 | 6,825 | 8,135 | 7,755 | 7,223 | 7,001 | 7,166 |
| - Capital Improvements | 7,343 | 870 | 1,838 | 733 | 643 | 1,210 | 1,404 | 960 | 1,090 | 1,068 |
| Total Capital Expenditure | 17,143 | 10,204 | 9,321 | 7,950 | 7,468 | 9,345 | 9,159 | 8,183 | 8,091 | 8,234 |
| Depreciation | (10,024) | (10,275) | (10,532) | (10,795) | (11,065) | (11,341) | (11,624) | (11,913) | (12,211) | (12,514) |
| Disposals | (1,052) | (800) | (800) | (800) | (800) | (800) | (800) | (800) | (800) | (800) |
| Revaluations | 3,778 | 11,276 | 6,922 | 6,995 | 7,046 | 7,085 | 7,150 | 7,208 | 7,249 | 7,282 |
| Closing Balance | 451,040 | 461,445 | 466,356 | 469,706 | 472,355 | 476,644 | 480,529 | 483,207 | 485,536 | 487,738 |
| Key Performance Indicators | | | | | | | | | | |
| Asset Renewal Ratio | 98% | 91% | 71% | 67% | 62% | 72% | 67% | 61% | 57% | 57% |
| Asset Renewal Deficit | (224) | (941) | (3,049) | (3,578) | (4,240) | (3,206) | (3,869) | (4,690) | (5,210) | (5,348) |
| Asset Consumption Ratio | 28% | 29% | 30% | 31% | 32% | 34% | 35% | 36% | 37% | 39% |
| Asset Base Expansion (%) | 1.34% | 0.14% | 0.28% | 0.11% | 0.09% | 0.17% | 0.20% | 0.13% | 0.14% | 0.14% |

Note: the 2012/13 Capital Expenditure budget per the QBRs of \$15.872m uses the net purchase price (including trade in revenue) for plant purchases. The budget in the table above adds back the trade in revenue value of \$1.271m to arrive at the gross purchase price per the requirements of the accounting standards.

Part 8: Measuring Council’s Financial Performance

Council has at its disposal a wide array of financial performance measures that can be used to track and measure Council’s long term financial viability and financial performance. Council has graphed its performance under the base scenario against a range of these financial performance measures. This information provides Council and the community with a graphical demonstration of Council’s expected financial performance over the life of the LTFP. All numbers are in \$’000.

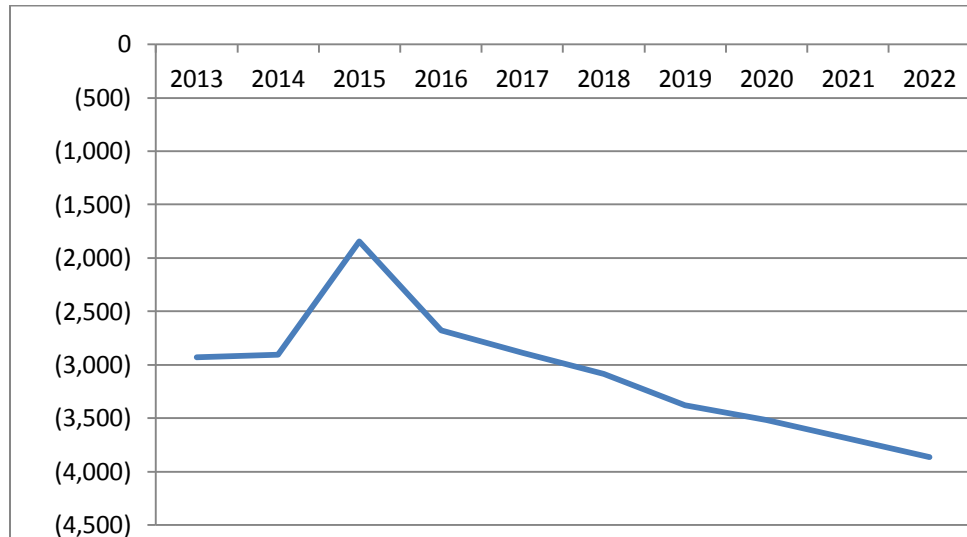
Ratios are divided into the following four groupings:

1. Financial Performance and Flexibility;
2. Liquidity;
3. Debt Servicing;
4. Asset Renewals and Capital Works.

Financial Performance and Flexibility Ratios

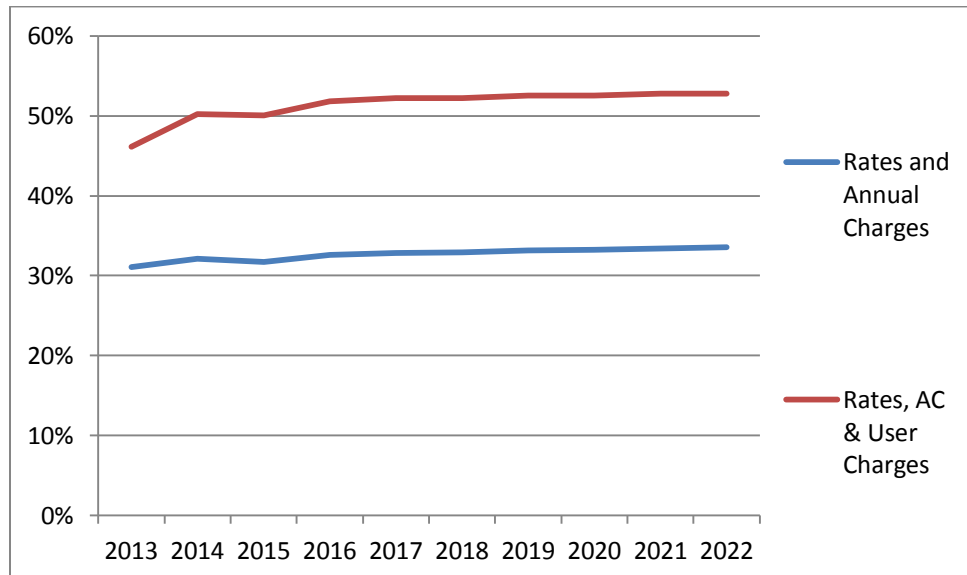
Operating Surplus/(Deficit)

This KPI measures whether Council’s operating revenue is sufficient to cover Council’s operating costs, and includes non-cash items such as depreciation.



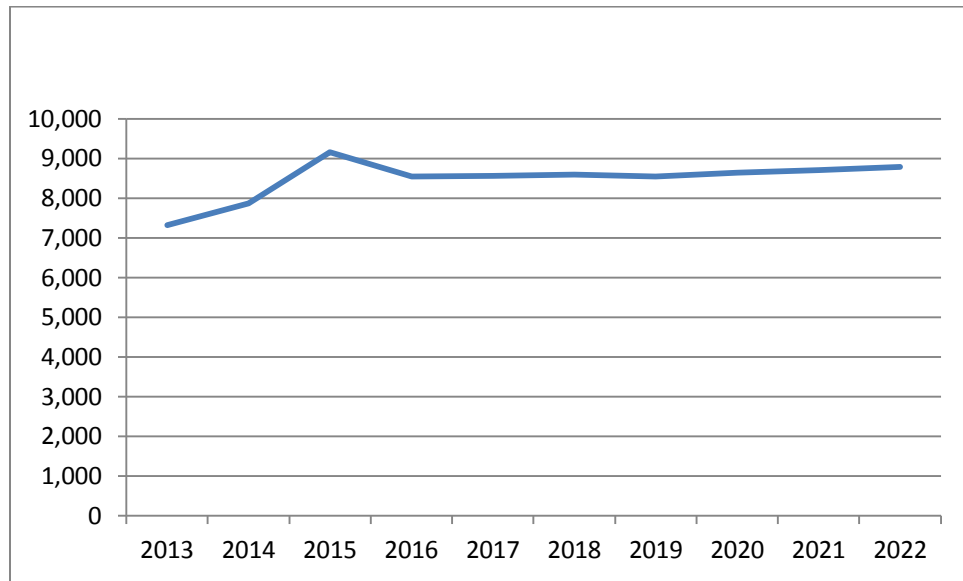
Rates and Annual Charges Coverage Ratio

This KPI measures the degree of Council’s dependence on revenue from rates and annual charges and the security of Council’s income.



EBITDA

Earnings Before Interest, Taxes, Depreciation and Ammortisation measures Council’s underlying operating performance.



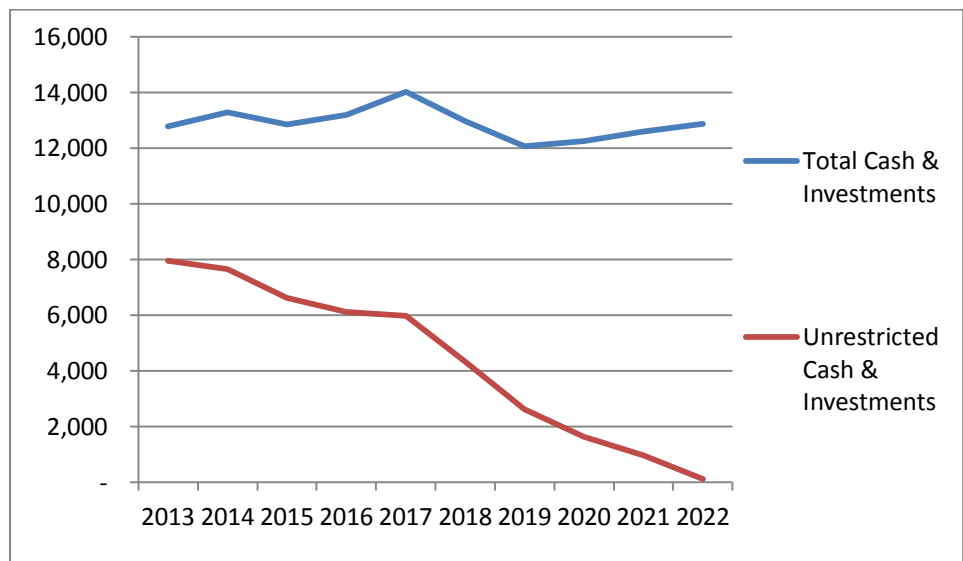
Council’s forecast financial performance and flexibility can be summed up by the following comments:

- Council is forecast to continue to report operating deficits with the deficit amount increasing over time, although forecast deficits in the 2012/13 LTFP are much lower than the previous LTFP forecast;
- Council is forecast to face risks around financial flexibility due to its high reliance on grant funding although there is an improvement over the timeframe of the LTFP;
- Council’s underlying operational performance is forecast to improve slightly (see EBITDA), with the main reason for increased deficits being depreciation increases;
- Depreciation expense assumptions are a large driver of the operating result, and if incorrect, could be making Council’s performance appear worse (or better) than it is.

Liquidity Ratios

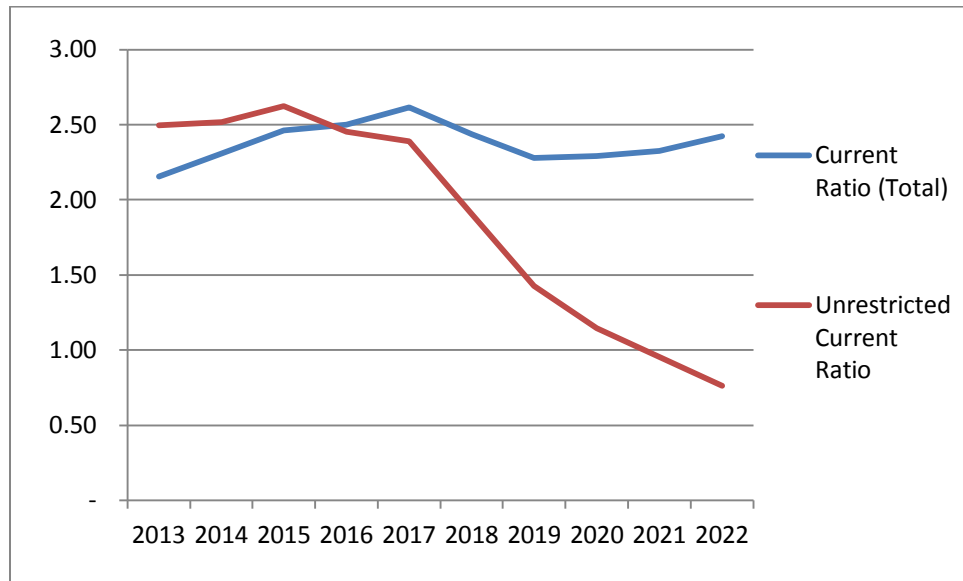
Cash and investments balance

This KPI measures Council’s projected total cash and investments balance over the life of the LTFP. Unrestricted cash is in red.



Current Ratio

This KPI measures the adequacy of working capital and its ability to satisfy obligations in the short term.



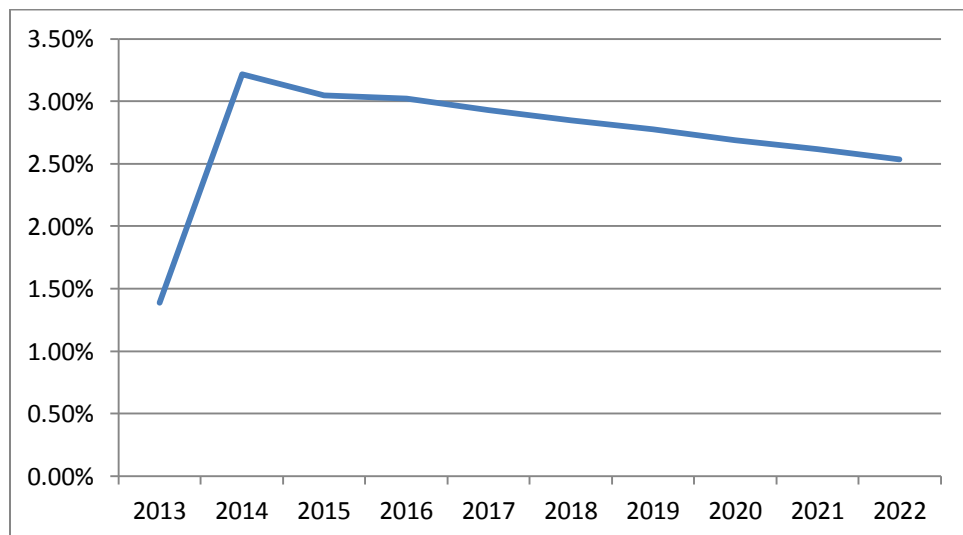
Council’s forecast cash position and liquidity can be summed up by the following comments:

- Council is expected to maintain a sufficient cash balance (in total) however, Council’s general fund will face significant challenges towards the end of the LTFP;
- Council’s Business Arms of Council are forecast to be financially stable (unlike general fund) and the buildup in cash above is mostly due to these funds not spending sufficient monies on capital in the short run, with savings being used to fund major capital replacements in several years time;
- Council’s cash position will improve post 2022 (by roughly \$1m per annum) as all loans are paid off;
- Current LTFP forecasts represent a considerable improvement over the previous LTFP.

Debt Servicing

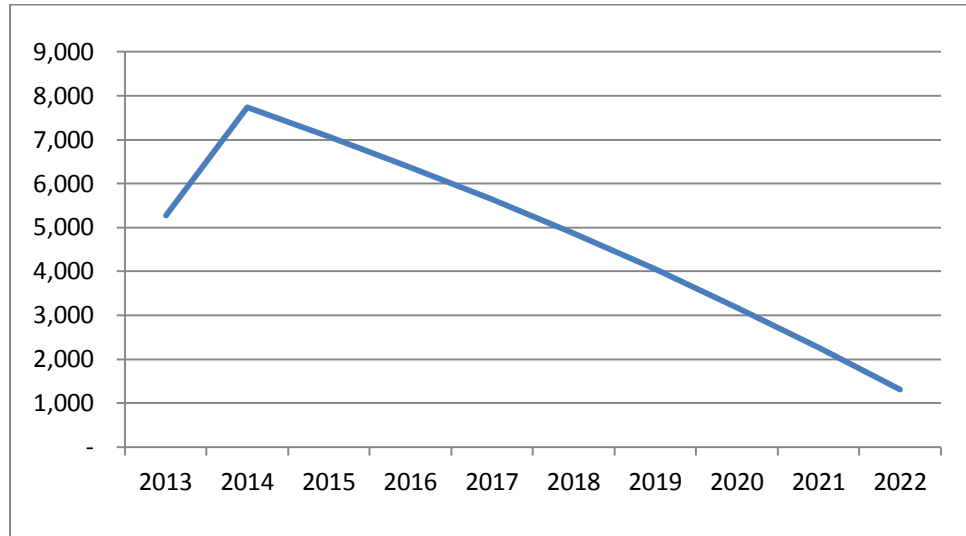
Debt Service Ratio

This KPI assesses the impact of loan principal and interest repayments on the discretionary revenue of council



Loan Balance

This KPI shows Council’s loans balance over time.



Council’s forecast loan exposure and debt servicing requirements can be summed up by the following comments:

- Council’s loan exposure increases significantly in 2013/14 and then declines to around \$1m in the 2021/22 financial year;
- Council’s debt servicing ratio is well within the DLG 10% benchmark;
- Loan servicing costs are around \$1m per year putting a drag on cash available for other uses, such as further capital works;
- As a result of the loans Council has managed to bring forward the replacement of all Council’s timber bridges (bar one) and the construction of the new admin building.

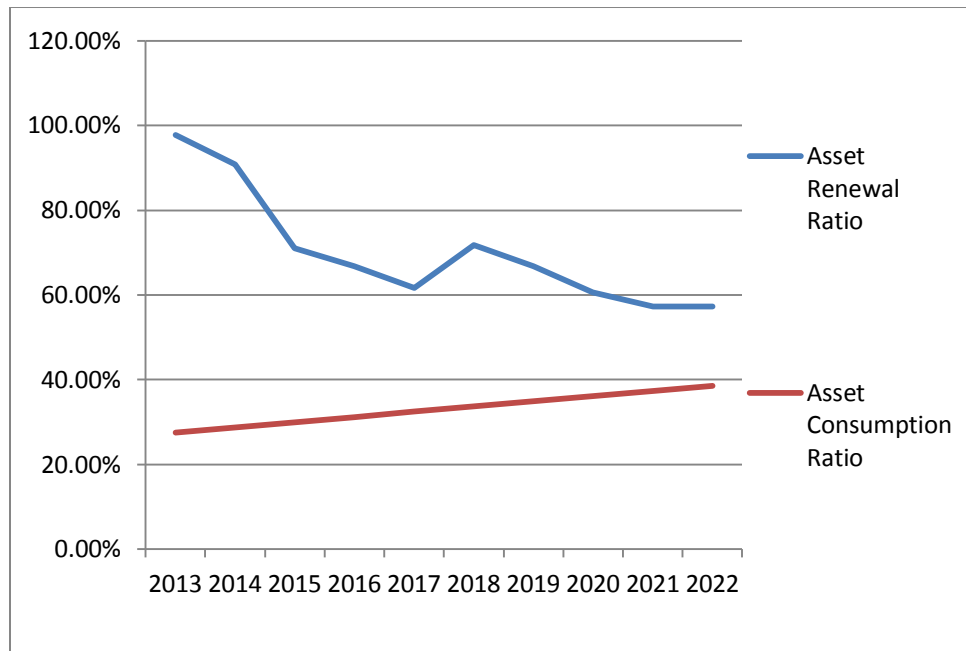
Asset Renewal and Capital Works

Asset Renewal Ratio

This KPI measures the rate at which assets are being renewed relative to the rate at which they are depreciating.

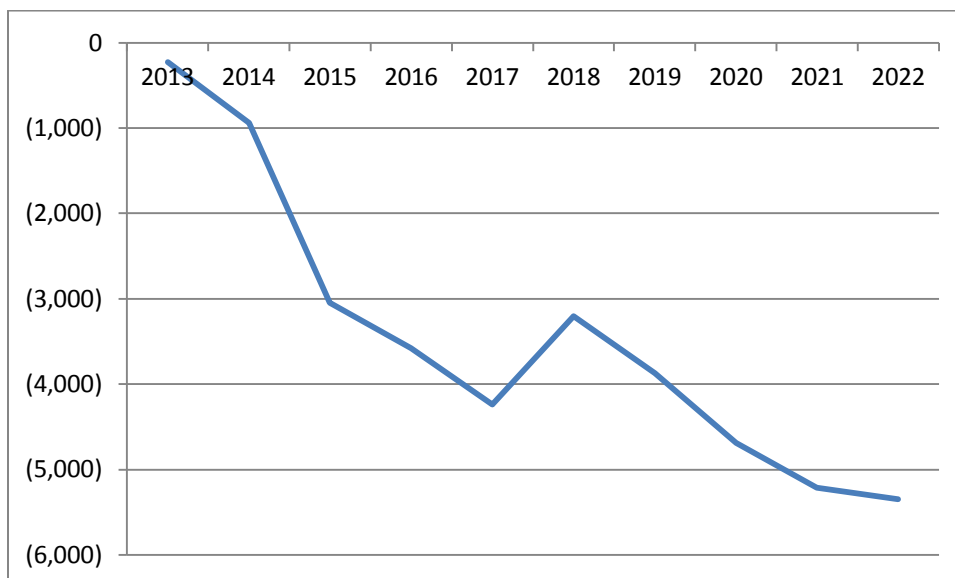
Asset Consumption Ratio

This KPI measures the % of the future service potential of Council’s assets that has already been “consumed”



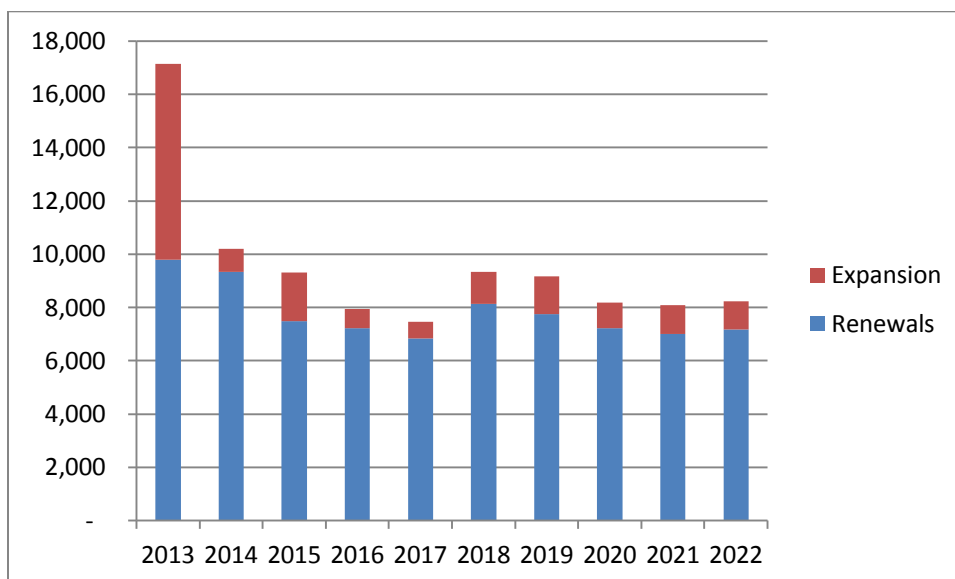
Asset Renewal Deficiency

This KPI measures Council’s annual backlog in asset renewal expenditure.



Capital Expenditure Program

This graph shows how much Council is spending on capital expansion and renewals each year.



Council’s forecast asset renewal and capital works performance can be summed up by the following comments:

- Assuming Council’s depreciation assumptions are correct, Council is under spending considerably on asset renewals (total renewal deficit of \$34m over ten years);
- Council’s capital program above is the maximum achievable given current cash constraints;
- Assuming depreciation assumptions are correct, the condition of Council’s assets is expected to decline over the ten years of the plan;
- Prima facie Council is under spending on water and sewer assets over the plan despite having sufficient cash to cover the full cost of the necessary capital works;
- Council is still forecast to spend some monies on asset expansion (\$9.8m excluding 2012/13) which may be better applied to asset renewals;
- Figures above may be skewed by the fact that many large capital items do not need to be replaced for several years.

Hard decisions made in Council's recent budget process have resulted in some considerable improvements in Council's forecast financial performance and position over the following ten years, including:

- Council's business arms are now forecast to achieve full cost recovery;
- Council is forecasting a slight improvement in Council's EBITDA over the life of the plan;
- Council's total cash balance is forecast to stay constant at just under \$13m;
- Council's current ratio is well above the DLG benchmark of 2 (in total);
- Council's exposure to debt is clearly manageable with the debt service ratio decreasing over the life of the plan, and the majority of loans to be paid back by the end of the 2021/22 financial year;
- Council's financial flexibility is forecast to improve slightly over the plan;
- Although not in the ratios above, Council's cashflow will improve post 2021/22 due to the repayment of the majority of Council's debt;
- Over the LTFP Council is forecast to replace all its timber bridges (bar one) at a cost of \$5.4m and has recently completed the construction of the new administration building in Coonabarabran (\$3m).

Despite these considerable gains, there are still several serious financial challenges faced by Council, including:

- Insufficient forecast revenue to cover non business arms of Council activities over the life of the plan (although this should improve post 2021/22);
- A significant capital backlog with insufficient funding to address the issue;
- Forecast declining asset condition as a result of the backlog;
- Forecast increasing operating deficits due to income growth not keeping pace with total expenditure growth (including depreciation);
- Possible liquidity issues in general fund as the unrestricted current ratio goes under 1 in 2020/21.

Although the KPIs above indicate that Council still faces serious challenges (despite significant progress during the budget process) there are many external and internal factors that can influence Council's financial performance and position going forward.

External factors outside of Council's control that could improve Council's financial position include:

- Positive demographics;
- Increased government grant and other assistance to rural areas;
- A boom in mining, agriculture and alternative energy that could bring wealth to the Shire, and boost Council's income sources;
- Financial assistance from the mines;

The external factors above have been built into Council's sensitivity analysis in the following chapter. Internal factors under Council's control that could improve Council's financial position are dealt with in Part 10 of this plan.

Part 9: Sensitivity Analysis and Special Rate Variations

9.1 Sensitivity Analysis

The IP&R framework requires that Council carry out financial modeling (i.e. sensitivity analysis) on the figures and assumptions in the LTFP. Sensitivity analysis provides Council with an idea of how much flexibility there is in the Plan and how much latitude Council has with various projects and scenarios.

Council has modeled three different scenarios as part of its sensitivity analysis. These scenarios include the base scenario as per the financial statements in Part 7 of the LTFP (Scenario 1), an optimistic scenario (Scenario 2), and a pessimistic scenario (Scenario 3). All three scenarios assume business as usual, i.e. Council will continue to provide the services it has traditionally provided to the residents of the Shire.

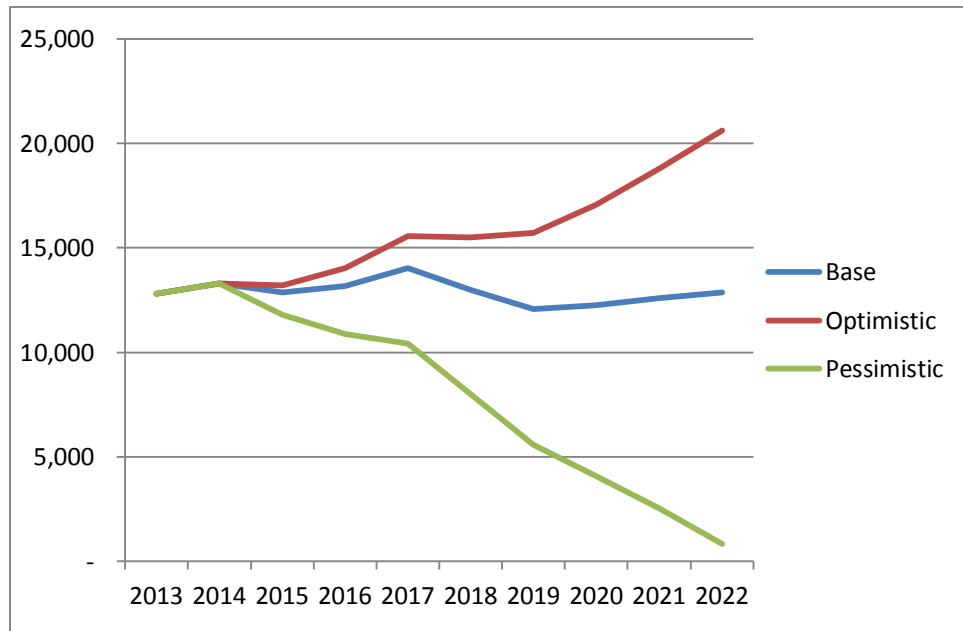
Details of the various adjustments to external and internal assumptions used in Council’s sensitivity analysis can be found in the table below.

| Factor | Base Scenario | Optimistic Scenario | Pessimistic Scenario |
|--|---------------|---|--|
| External Factors | | | |
| Population Change | No impact | No impact | Increased employee related expenditure (+0.25% per annum) |
| Mining | No impact | Increased revenue from mining (+\$200k per annum) | No impact |
| Economic trends | No impact | Higher cash rate at 5.5% | Lower cash rate at 3% |
| Political trends | No impact | FAGS grants grow by 4% per annum due to shift of grants to rural Councils | Further cost shifting capture as grant reduction of \$200k per annum |
| Internal Factors | | | |
| Revenue initiatives: - Increased private works \$90k - Increased swimming pool + other revenue \$10k - Increased quarry revenue \$200k over 3 years | All achieved | All achieved plus Quarry up a further \$50k | All fail |
| Expenditure initiatives - Workers comp savings (\$150k) - IT operations savings (\$50k) - New structure savings (\$200k) - Electricity (\$28k) - Other (\$30k). | All achieved | All achieved | All fail |

The results of the sensitivity analysis above have been captured by way of two KPIs, Council’s cash balance across the ten years of the plan and Council’s projected surplus/Deficit. See results below:

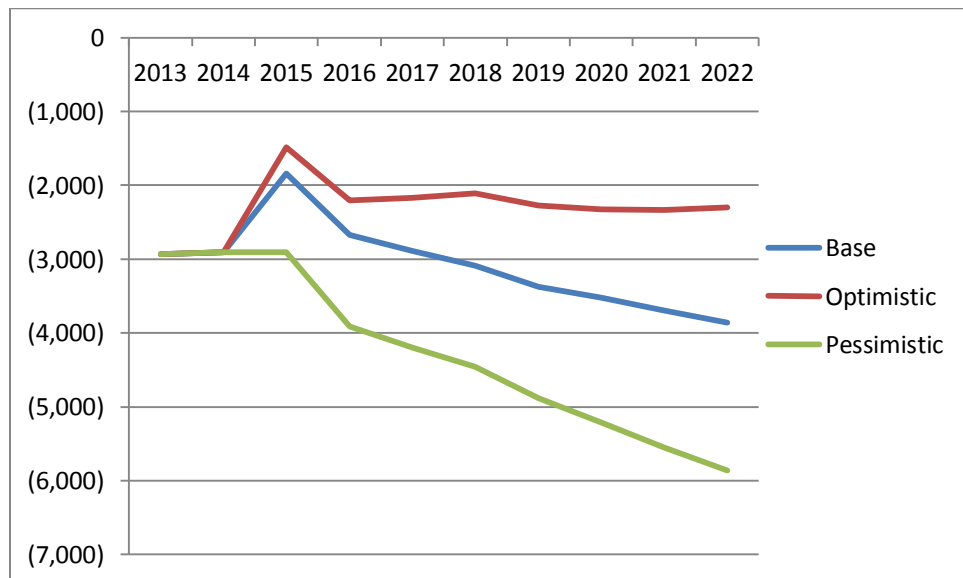
Cash balance

This KPI measures Council’s projected total cash and cash equivalents balance over the life of the LTFP. Note: This KPI includes investments which are not treated as cash in the balance sheet.



Operating Surplus

This KPI measures whether Council’s operating revenue is sufficient to cover Council’s operating costs.



Based on the two graphs above we can see that in the optimistic scenario Council will maintain a high cash balance, although Council will still incur an operating deficit. The asset renewal and other asset measures are per the base scenario so Council’s asset base is still expected to deteriorate over time, although with a significant cash balance Council would have options to further invest in asset renewals in the optimistic scenario.

The forecast in the pessimistic scenario could never feasibly occur as Council management would ensure that sufficient cost cutting measures were put in place for Council to avoid such a

situation. This cost cutting exercise however, would result in a reduction in the level of services provided by Council to the residents of the Shire.

The above scenario analysis is useful in that it demonstrates the uncertainty of financial forecasts, and shows that good management (and good luck in regard to some of the external factors) on Council's part can lead to an improved financial performance.

9.2 The Community Wish List and Special Rate Variations

As part of the Community Strategic Plan Council has approached the Community for feedback on what the Community values and what their aspirations are going forward for the Shire. This feedback has been used in the development of Council's Delivery Program (a copy of which can be found on Council's internet site). Council's Delivery Program includes a listing of deliverables that Council is expected to provide over the following four years. Many of these deliverables are business as usual items such as maintaining town streets, but several deliverables are new services/outcomes or increases to existing services that Council has previously not provided.

Many of the items requested as part of the CSP process did not make it into Council's delivery program, and given Council's forecast financial position can not be funded under the current funding structure. These items have been included in Council's wish list. A list of the main wishlist items that Council is currently unable to fund is provided below:

- Retirement Units in Baradine
- Retirement Units in Binnaway
- Binnaway Sewerage System
- Mendooran Sewerage System
- Heated Pool at Coolah
- Heated Pool at Dunedoo
- Refurbishment and Upgrade Robertson Oval Dunedoo
- Youth and Community Hall Coolah
- Visitor Information Centre in Dunedoo
- Upgrade Sewerage and Water Treatment Plants in Dunedoo
- Art Gallery/Cultural Centre Coonabarabran
- Museum in Coonabarabran
- PCYC in Coonabarabran
- Aquatic Centre in Coonabarabran 50m heated competition pool, hydrotherapy
- Bike Track to National Park
- Truck Stop in Coonabarabran
- Retirement Units at Dunedoo former hospital site
- Town Street Tree plantings
- New canteen Facilities at Baradine oval

Council has also ceased the practice of sealing unsealed roads for the next five years due to funding constraints, and the capital program above even excludes the sealing of unsealed roads

from outer year forecasts, although the capital program will change between now and when the moratorium on sealing of unsealed roads ends.

Given Council’s financial position, it is unlikely that Council would be able to feasibly fund these projects out of its current budget. As the Community has requested these increased services, one option would be for Council to seek a special rate variation in excess of rate pegging. A special rates variation above rate pegging commencing from the 2014/15 financial year would increase Council’s available cash by the following figures over the remaining nine years of the LTFP:

| Increase Above Rate Peg | One off Rates Increase in 2014/15 | Increase in Cash Available to Council Over a 9 Year Period (\$'000) |
|-------------------------|-----------------------------------|---|
| 1% | 4.25% | \$627 |
| 2% | 5.25% | \$1,254 |
| 3% | 6.25% | \$1,881 |
| 4% | 7.25% | \$2,508 |
| 5% | 8.25% | \$3,135 |
| 6% | 9.25% | \$3,762 |
| 7% | 10.25% | \$4,389 |
| 8% | 11.25% | \$5,016 |
| 9% | 12.25% | \$5,643 |
| 10% | 13.25% | \$6,270 |

One suggested change to current rate pegging legislation by the Independent Local Government Review Panel in their report: *Future Direction of NSW Local Government, P. 17* is that Councils should be able to increase rates by up to 3% more than the annual cap for four years providing certain IP&R requirements are met. This would allow councils to bypass the IPART Special Rate Variation process, and if such an increase was implemented by Council it would result in a further **\$6.7m** revenue over the life of the LTFP (excluding extra interest that could be earned if the amount was invested). Any increase in rates above rate pegging (whether via an SRV) or as part of the above mentioned possible legislative change would require community input and support.

The Community Strategic Plan has allowed Council to communicate with the residents of the Shire, and to gauge what the resident’s main concerns are for the future. Council must now communicate its financial position to the residents and seek whether the residents are willing for Council to increase rates above rate pegging to fund the projects they have requested as part of the CSP. Any suggested increase above rate pegging would need to be for particular projects as requested by the residents of the Shire, as ultimately it is the residents of the Shire that will bear the cost of this rates increase.

Part 10: Conclusion and the Way Forward

This plan has attempted to forecast Council's financial performance and position over the following ten years on the basis of general assumptions regarding Council's external environment (Part 2), Council's potential revenue over the next ten years (Part 3), Council's forecast recurrent expenditure (Part 4) and capital expenditure (Part 5) as well as expected movements in balance sheet items (Part 6). The results of these forecasts can be found in the financial statements (Part 7) and in Council's financial performance measures (Part 8).

As mentioned in Part 7, hard decisions made in Council's recent budget process have resulted in some considerable improvements in Council's forecast financial performance and position over the following ten years in comparison to the 2010/11 LTFP, including:

- Council's business arms are now forecast to achieve full cost recovery;
- Council is forecasting a slight improvement in Council's EBITDA over the life of the plan;
- Council's total cash balance is forecast to stay constant at just under \$13m;
- Council's current ratio is well above the DLG benchmark of 2 (in total);
- Council's exposure to debt is clearly manageable with the debt service ratio decreasing over the life of the plan, and the majority of loans to be paid back by the end of the 2021/22 financial year;
- Council's financial flexibility is forecast to improve slightly over the plan;
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Despite these considerable gains, there are still several serious financial challenges faced by Council, including:

- Insufficient forecast revenue to cover non business arms of Council activities over the life of the plan (although this should improve post 2021/22);
- A significant capital backlog with insufficient funding to address the issue;
- Forecast declining asset condition as a result of the backlog;
- Forecast increasing operating deficits due to income growth not keeping pace with total expenditure growth (including depreciation);
- Possible liquidity issues in general fund as the unrestricted current ratio falls to under 1 in 2020/21.

In the 2010/11 LTFP Council mentioned several financial performance improvement initiatives that were available to Council to improve its financial position over the following ten years. Council further touched on these initiatives in a Business Paper report to Council regarding the recently released TCorp report which deemed Council to be in a weak financial position.

Details and the current status of these **Financial Performance Improvement Initiatives** is provided in the table below.

Warrumbungle Shire Council – Long Term Financial Plan

| Initiative | Details | Status | Notes |
|---|---|--------|---|
| Balanced cash budgets | All budgets to be balanced cash budgets | √ | 2013/14 budget is a surplus cash budget |
| More aggressive management of expenditure vs budget | Supplementary votes to be generally met with delays (surrenders) where possible | 50% | Partially commenced, |
| Business units to be full cost recovery | Prices for water, sewer and waste to ensure full cost recovery | √ | Complete |
| Better manage revotes | Revoted works should involve delays to other capital projects when it is clear the program is unachievable | 13/14 | Commence 2013/14 financial year |
| Review workers compensation | Cost saving initiative to improve workers comp performance (thus reducing premium) | 50% | In progress |
| Review depreciation assumptions currently used by Council | Depreciation assumptions may be over/understating Council's financial performance and require review | 13/14 | Commence major review in 2013/14 financial year |
| Review on-costs and internal charges | Review on-costs and internal charges to ensure Council is not subsidising business arms of Council/grant funded projects | √ | Complete. Assumptions to be reviewed again in 2013/14 |
| Improve return on investments | Ensure future investments are carried out in a conservative nature | √ | Complete. Council currently only invests in TDs |
| Ensure fair compensation from the mines | Ensure appropriate funding from the mines to cover the increased wear and tear on Council assets and loss of skilled staff; | 50% | Mining rate set, currently negotiating VPA |
| Carry out unit cost analysis and benchmarking | Calculate unit costs for all services provided by Council and then benchmark ourselves against neighbouring Councils (possibly as part of OROC) | 13/14 | Commence 2013/14 financial year |
| More aggressively pursue private works | Aggressively pursue private works revenue and review current private works processes | 13/14 | Commence 2013/14 financial year |
| Lobby for more RMCC work | Lobby the RMS for more RMCC and maintenance work (e.g. Newell highway) | 13/14 | Commence 2013/14 financial year |
| Review fleet replacement program | Review for cost savings | 13/14 | Commence 2013/14 financial year |
| Review of major expenditure line items | Review major expenditure line items such as electricity for cost savings | 13/14 | Commence 2013/14 financial year |
| Organisational Structure Review | Review organisational structure for cost savings | 13/14 | Commence 2013/14 financial year |
| Service sharing | Explore opportunities to share IT and other services (e.g. finance) with neighbouring Councils | 13/14 | Commence 2013/14 financial year |

| Initiative | Details | Status | Notes |
|---|--|--------|---|
| Capital review | Council should emphasise asset renewals over construction given current financial situation | 50% | In progress |
| Service level analysis | Council should set service levels for all activities it carries out to aid in funding decisions and asset management | 50% | First stage complete. Will require review in 2013/14. |
| Push for a fairer distribution of FAGS grants | Lobby State and Federal governments to allocate more grant funding to rural councils | 50% | In progress |

Council has set a balanced four year Delivery Program based on clearly defined service levels, and although Council does still face considerable challenges in the long run (as shown in Part 8 of the plan) much progress has been made as a result of the 2013/14 budget.

Council has also agreed to a set of Financial Performance Improvement Initiatives (see above) which should allow Council to achieve the best financial performance possible given the sizeable external constraints facing Council (declining population, rate pegging, cost shifting, reliance on grant funding etc) as mentioned in Part 2 of the plan.

TCorp have defined financial sustainability in local government as:

“A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community”

Council’s most important stakeholders are the residents of the Shire, and it is the residents of Warrumbungle Shire that will now need to decide on what level of services Council will be able to provide going forward given Council’s external financial constraints.



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